

For the business and financial press
Munich, November 14, 2001

Siemens in fiscal 2001

- **Siemens earned €2.088 billion in net income including Infineon, special items as well as restructuring charges and asset write-downs.**
- **EBITA from Operations (excluding Infineon) was €1.329 billion including restructuring charges and asset write-downs of €1.863 billion. Excluding these charges and write-downs, EBITA from Operations was €3.192 billion.**
- **Net cash provided from operating activities for Siemens worldwide was €7.016 billion for the year, well above the prior year's level.**
- **A proposed dividend of €1.00 per share is comparable to the prior-year dividend of €1.40 on a post-split basis.**
- **Fourth-quarter net income for Siemens worldwide was impacted by special items of negative €532 million after taxes. This resulted in net income of negative €1.098 billion after taxes, including the special items, Infineon, and restructuring charges and asset write-downs. EBITA from Operations was a negative €130 million including restructuring charges and asset write-downs of €959 million. Excluding these effects, EBITA from Operations was a positive €329 million. Net cash provided from operating activities was up sharply at €5.857 billion.**

Special items after taxes totaled a positive €2.003 billion. Special items before taxes were €2.880 billion. Special items before taxes include €3.459 billion resulting from the transfer of Infineon Technologies AG shares into Siemens' domestic pension trust. Pretax special items also include the effects of various capital increases at Infineon. Offsetting these non-cash gains are charges including €927 million before taxes taken in the fourth quarter as goodwill write-offs relating primarily to the acquisitions of Efficient Networks, Inc. and Milltronics.

In addition to these special items, the Operating Groups took charges totaling €1.863 billion before taxes relating to previously announced restructurings and for write-downs of inventories, receivables and other assets as well as capacity adjustments. €959 million of these charges were taken in the fourth quarter.

In spite of negative market conditions, net cash provided from operating activities of €7.016 billion in fiscal 2001 was a further improvement on the €6.154 billion achieved a year earlier. The balance of net cash provided from operating activities and net cash used in investing activities was positive by €1.130 billion, including the effect of the capital increase of Infineon.

Siemens worldwide sales increased 12% to €87.000 billion while orders increased 11% to €92.528 billion. Acquisitions and deconsolidations for the year made a net contribution of €3.943 billion, or 5% of sales. For Siemens excluding Infineon, sales increased 15% to €82.256 billion in fiscal 2001. Orders increased 17% to €88.956 billion.

A dividend of €1.00 per share will be recommended to the upcoming annual meeting of shareholders. Following the stock split effective on April 30, 2001, granting shareholders one additional share for each two shares owned, the sum of €888 million paid in dividends for fiscal 2001 will be comparable to the payout for fiscal 2000. The dividend for fiscal 2000 was €1.40 per share plus a special bonus of €1.00 per share, which will not be paid for fiscal 2001.

Siemens worldwide results for the fourth quarter of fiscal 2001

Fourth-quarter net income for Siemens worldwide including special items was a negative €1.098 billion. Net income excluding special items of negative €532 million was a negative €566 million in the fourth quarter compared to a negative €705 million in the third quarter of fiscal 2001. EBITA from Operations for the fourth quarter was a negative €130 million including restructuring charges and asset write-downs of €959 million. Excluding this charges, EBITA from Operations was a positive €829 million compared to €840 million in the same period a year earlier. In the fourth quarter, Siemens worldwide

generated €5.857 billion cash from operating activities. Sales for Siemens worldwide were €24.540 billion, up from €23.660 billion in the prior year. Orders were €22.213 billion, down from €23.539 billion a year earlier. New acquisitions accounted for €1.879 billion in sales and €2.138 billion in orders in the fourth quarter.

Operations in fiscal 2001 (excluding Infineon)

Despite a weakening economic environment during the second half of the fiscal year, a number of Operating Groups delivered strong earnings performance. These include Automation and Drives (A&D), Medical Solutions (Med), Power Generation (PG), Osram, Transportation Systems (TS). The Financing and Real Estate Groups also contributed a solid combined earnings gain. In contrast, all three Groups in the Information and Communications business area were adversely affected by rapidly deteriorating business conditions in the sectors they serve.

In the Information and Communications business area, Information and Communication Networks (ICN) was affected by the substantial cut-backs in capital spending by telecom operators for telecommunications and networking products. In this challenging environment, ICN's EBITA for the fiscal year was €198 million excluding the effects of restructuring charges and asset write-downs. Including these effects, which totaled €1.059 billion, EBITA was a negative €861 million. EBITA in fiscal 2000 was €686 million, which included approximately €200 million in gains from the sales of investments and real estate. Both fiscal 2000 and fiscal 2001 included approximately €120 million in gains on shares in start-up companies.

Working off its large order backlog, ICN increased sales to €12.882 billion for the full fiscal year, 14% higher than in fiscal 2000. While order growth slowed within the year, it still increased 9% year-over-year to €12.639 billion.

In the fourth quarter, ICN recorded EBITA of €65 million excluding restructuring charges and asset write-downs of €563 million, compared to €159 million a year earlier. Including charges and write-downs, EBITA was a negative €498 million. Sales were €3.679 billion, compared to €3.412 billion a year earlier, while orders were flat at €3.024 billion.

Information and Communication Mobile (ICM) successfully weathered intense competitive pressures and sharply slower market growth in its industry, particularly compared to other companies in the sector. Full-year EBITA was €134 million, not including asset write-downs of €441 million. Including the write-downs, EBITA was a negative €307 million. Most of the write-downs were confined to the Mobile Phones Division in the third quarter, and included inventory write-offs, capacity adjustments and write-downs on investment securities. Sales for the fiscal year grew 27%, to €1.299 billion. Orders of €1.866 billion were 14% higher than fiscal 2000. The Mobile Phone Division sold more than 28.7 million units compared to 23.9 million units sold in the previous fiscal year. An estimated 0.9 million additional units reached consumers from stock already owned by distributors.

In the fourth quarter, EBITA at ICM declined from €60 million a year earlier to €50 million, excluding an asset write-down of €71 million. Including the write-down, EBITA was a negative €21 million. The Networks Division brought in €94 million in positive earnings on a 34% increase in sales compared to the prior year despite a slow-growing market. The Mobile Phones Division narrowed its loss in the fourth quarter, to €22 million, following a loss excluding asset write-downs of €180 million in the third quarter, through prompt application of cost-cutting measures. Sales and new orders for ICM as a whole each grew 5% compared to the fourth quarter of fiscal 2000, to €3.066 billion and €3.001 billion, respectively.

EBITA at SBS was a negative €17 million excluding restructuring charges and asset write-downs of €242 million. Including these effects, EBITA was a negative €259 million. EBITA for fiscal 2001 includes loss provisions relating to two significant business process outsourcing contracts of €192 million. Sales for the fiscal year edged up 3%, to €6.034 billion, while new orders rose more quickly, by 8%, to €6.303 billion.

The restructuring charges and asset write-downs at SBS were taken in the fourth quarter. Excluding these effects, fourth-quarter EBITA was a negative €62 million compared to a positive €61 million in the same quarter a year earlier. Including these effects, EBITA was a negative €304 million for the fourth quarter. Fourth-quarter EBITA included

€126 million of the loss provisions mentioned above. Sales and orders both declined, to €1.621 billion and €1.584 billion, respectively, from €1.759 billion and €1.897 billion in the same quarter of the previous year.

Within Siemens' Automation and Control business area, Automation and Drives (A&D) delivered strong double-digit growth in earnings, sales, and orders, based on excellent performance by the Group's three largest divisions: Industrial Automation Systems, Low Voltage Controls and Distribution, and Motion Control Systems. EBITA increased to €981 million, up 13% from fiscal 2000, and EBITA margin reached 11.0%. Sales and orders for the fiscal year rose to €8.947 billion and €9.065 billion, respectively, 13% and 11% higher than the €7.943 billion and €8.163 billion recorded in fiscal 2000.

A&D increased its fourth-quarter EBITA to €270 million compared to €213 million in fiscal 2000. A&D's fourth-quarter sales were 7% higher than in a year earlier, at €2.459 billion, compared to €2.299 billion last year, but as anticipated new orders were 5% lower, reflecting slowing economic growth particularly in the U.S.

EBITA at Industrial Solutions and Services (I&S) came in at €97 million compared to €111 million in fiscal 2000. Sales rose 8% to €4.563 billion from €4.226 billion a year earlier, while orders rose 11% to €4.881 billion from €4.401 billion on increased volume at the Industrial Services Division.

Fourth-quarter EBITA at I&S increased 25% compared to the same period a year earlier, to €81 million. Sales rose 6% year-over-year, to €1.391 billion, and orders edged up 1% to €1.348 billion.

Siemens Dematic AG (SD) was formed during the year via a third-quarter merger of the existing businesses of Siemens Production and Logistics Systems (PL) and Dematic AG (part of the Atecs Mannesmann acquisition). EBITA at SD was a negative €59 million compared to a positive €196 million for PL in fiscal 2000. Earnings were particularly affected by a sharp slow-down at the Electronics Assembly Division, negative results at the Postal Automation Division and contract loss provisions at the Logistics and Production Division. Internal integration costs also reduced EBITA. Compared to fiscal 2000,

sales rose 41% to €2.520 billion and orders rose 19% to €2.281 billion, primarily driven by Dematic AG's contribution. Both sales and orders declined year-over-year on a comparable basis, however, principally due to postponement of major projects by customers including the U.S. Postal Service.

SD's EBITA for the fourth quarter was a negative €35 million including certain loss provisions, compared to EBITA of €64 million a year earlier. Fourth-quarter sales were up 65% and orders were 32% higher than a year earlier, at €844 million and €973 million, respectively, due largely to Dematic's contribution.

Siemens Building Technologies (SBT) recorded EBITA of €132 million, compared to €297 million in fiscal 2000. Margin erosion in its systems divisions, together with rationalization costs, combined to reduce the Group's profitability. International acquisitions helped increase sales and orders by 12% and 10%, respectively, to €5.518 billion and €5.549 billion.

The portion of the rationalization costs noted above that occurred in the fourth quarter contributed to the reduction in EBITA from €111 million recorded a year earlier to €39 million in the fourth quarter of fiscal 2001. Sales were 8% higher than a year earlier, while orders rose 2%.

In the Power business area, EBITA at Power Generation (PG) surged from €66 million in fiscal 2000 to €634 million in fiscal 2001. The Fossil Power Generation Division drove the Group's profitability, primarily on strong demand for its gas turbines in the U.S. Sales grew 10% to €8.563 billion despite deconsolidation of the Group's nuclear business in the second quarter. Orders jumped 30% to €12.219 billion, reflecting the widening demand for gas turbines worldwide. The Group's bulging order backlog reached €26 billion at year-end, including reservations. Higher customer prepayments enabled the Group to reduce its EBITA assets to a negative €1.003 billion, compared to a positive €178 million at the end of fiscal 2000.

PG boosted EBITA from €35 million in the fourth quarter of fiscal 2000 to €202 million in the same period of fiscal 2001. Sales rose 5% year-over-year, to €2.651 billion, while

orders fell 19%, to €2.343 billion, due to order delays and the intervening deconsolidation of PG's nuclear business. On a comparable basis, PG's fourth-quarter sales were 16% higher than in the prior-year period, while orders were 16% lower.

EBITA at Power Transmission and Distribution (PTD) was €127 million excluding restructuring charges and capacity adjustments of €31 million. Including these effects, PTD improved its EBITA to €96 million compared to €45 million last year. The High Voltage Division drove the Group's earnings improvement. Major projects helped push sales up 29%, to €4.053 billion for the fiscal year, while orders grew more slowly, at 9%, to €3.887 billion.

PTD contributed EBITA of €67 million, excluding €28 million of the charges noted above. Including these effects, EBITA was €39 million, €58 million higher than in the fourth quarter a year ago. Fourth-quarter sales of €1.284 billion were 29% higher than in the same quarter of fiscal 2000, while orders were level with the prior-year period.

In the Transportation business area, Transportation Systems (TS) more than doubled its earnings compared to the previous year, with EBITA of €186 million. EBITA margin also more than doubled, from 2.0% to 4.6%. TS achieved this earnings performance on sales growth of 8%, to €4.021 billion from €3.710 billion a year earlier, and successfully improved productivity. The Group also excelled in winning new business, with orders growing 52% to €5.647 billion. The Group's order backlog jumped to nearly €11 billion at the end of the fiscal year. TS further reduced its already negative EBITA assets to a negative €916 million through ongoing asset management programs and higher customer prepayments.

TS posted EBITA of €59 million for the fourth quarter, compared to €46 million in the fourth quarter of fiscal 2000. At €1.136 billion, sales rose 10% compared to the prior-year quarter, while orders decreased 28% compared to a year earlier due to customer postponement of projects until fiscal 2002.

Siemens VDO Automotive AG (SV) is the new name of Siemens' automotive business, which was merged with the VDO automotive operations of Atecs Mannesmann in the

third quarter. EBITA for the merged Group was a negative €171 million excluding €90 million in asset write-downs, compared to EBITA of €89 million a year earlier. EBITA including the write-downs was a negative €261 million. The Group's performance includes ongoing development costs associated with next-generation diesel technology. Sales and orders each rose 49%, to €5.702 billion, due primarily to the contribution of VDO.

SV's fourth-quarter EBITA was a negative €103 million excluding €55 million of the charges noted above. Including these charges, EBITA was a negative €158 million compared to negative €2 million a year earlier. Sales and orders each rose to €1.890 billion, nearly double the fourth-quarter level a year earlier, due to the merger.

Medical Solutions (Med) turned in excellent performance, achieving record levels in earnings, sales, and orders in part due to the successful integration of recent acquisitions. EBITA of €808 million was 75% higher than in fiscal 2000. Sales increased by 47% to €7.219 billion, and orders grew 61% to €8.444 billion.

Fourth quarter EBITA was €225 million compared to €120 million in the fourth quarter of the prior year. Sales rose 27% year-over-year to €2.032 billion. Orders were 37% higher, at €2.457 billion, than in the same period a year earlier.

In the Lighting business area, despite a significantly more difficult economic environment, particularly in the U.S., Osram increased its EBITA to €462 million in fiscal 2001, including €54 million in nonrecurring gains. Sales grew 5% compared to fiscal 2000, to €4.522 billion.

Osram delivered €106 million in EBITA in the fourth quarter, up from €74 million in the same period a year earlier, including €31 million of the nonrecurring gains noted above. Sales and orders were about level with the comparable quarter a year ago, at €1.066 billion.

EBITA for Corporate, eliminations was a negative €320 million in fiscal 2001 compared to a negative €1.270 billion a year ago. The prior year includes higher charges from for-

eign currency effects as well as higher expenses related to the Siemens stock option plan and certain restructuring charges. In the fourth quarter of fiscal 2001, EBITA was a negative €135 million, compared to a negative €147 million in the fourth quarter last year.

Financing and Real Estate in fiscal 2001

Siemens Financial Services (SFS) increased its income before income taxes €80 million year-over-year, to €158 million. Factors driving this increase include gains on the sale of equity stakes held by Siemens Project Ventures in India and USA, higher interest income from the factoring of receivables and the Group's growing leasing business. In the fourth quarter, SFS improved its pretax income to €15 million compared to €9 million in the fourth quarter of fiscal 2000, despite higher loan loss provisions.

Income before income taxes at Siemens Real Estate (SRE) increased 6% to €213 million. For the fourth quarter, pretax income declined to €44 million compared to €51 million in the fourth quarter of the prior year, due to higher maintenance costs.

Liquidity and balance sheet highlights

Significant cash flow improvement, particularly in the fourth quarter, demonstrates successful focus on asset management, particularly in the area of working capital deployment. Net cash provided by operating activities for Siemens worldwide for the year was €7.016 billion compared to €6.154 billion in the prior year. Net cash provided by Operations was €5.885 billion, compared to €4.555 billion in fiscal 2000.

Capital spending of €11.656 billion remained at a level comparable to the prior year. The decline in proceeds from dispositions resulted in the overall increase in net cash used by investing activities. Increased proceeds from the issuance of debt, shown in Corporate Treasury, is primarily associated with refinancing in the Financing and Real Estate businesses. Together with the factors noted above, this contributed to a net increase of €940 million in cash and cash equivalents, to a total of €7.802 billion.

Economic Value Added

Siemens worldwide including special items realized EVA of negative €743 million in fiscal 2001 compared to an EVA of €7.095 billion in fiscal 2000, when results included substantial gains on sales of significant business interests.

International Activities (excluding Infineon)

Orders in Germany increased 8% to €18.110 billion from €16.712 billion in fiscal 2000, including the effect of acquisitions. International orders rose faster, from €59.108 billion a year ago to €70.846 billion in fiscal 2001, an increase of 20%. Sales for the fiscal year climbed 15% to €82.256 billion. Sales in Germany were flat at €18.085 billion, while international sales rose 20% to €64.171 billion. International business now accounts for approx. 80% of Siemens' total volume.

Orders in the U.S. for the year climbed 38% to €23.876 billion and sales rose 31% to €19.887 billion. In Asia-Pacific, orders rose 10% to €9.938 billion and sales 24% to €9.873 billion. China continued to account for the largest share of sales in the region, contributing €3.640 billion. In Europe outside Germany, orders and sales both increased 11%.

Outlook

“We are confident about our capabilities to successfully execute the various restructuring programs especially at our I&C Groups, and therefore look forward to improved earnings from Operations”, said Siemens CEO Heinrich von Pierer. “Before commenting more specifically on our outlook, however, we want to continue to monitor our business performance, particularly the trend in sales and order intake, to better assess the effects of September 11.” While many telecom operators have announced sharply reduced capital expenditures, directly affecting business at the I & C Groups, other businesses such as Power Generation, Medical Solutions and Transportation Systems are expected to continue their positive development particularly due to their considerable order backlog.

Siemens remains committed to its Operations 2003, aimed at achieving previously communicated medium-term margin targets. Some Groups should be able to meet their targets earlier or exceed them, while for the I&C Groups it might take longer. Siemens has demonstrated that it can handle difficult times better than many of its competitors. A global presence, broad business portfolio, and solid capital structure, along with successful asset management activities, are the pillars upon which Siemens continues to build its business.

Notice:

- A German language telephone conference for journalists with CEO Dr. Heinrich v. Pierer and CFO Heinz-Joachim Neubürger will be transmitted live on the Internet beginning at 1:30 p.m. CET. You can access the conference at www.siemens.com/conferencecall. Please go to the Web site early enough to download software, if needed. A recording of the telephone conference will be available later at the same location.
- Dr. v. Pierer and Mr. Neubürger will hold a telephone conference with analysts in English language at 3:00 p.m. CET and you can also follow this conference live on the Internet. Please go to www.siemens.com/analystcall

This report contains forward-looking statements based on beliefs of Siemens' management. The words "anticipate," "believe," "estimate," "forecast," "expect," "intend," "plan," "should" and "project" are used to identify forward-looking statements. Such statements reflect the company's current views with respect to future events and are subject to risks and uncertainties. Many factors could cause the actual results to be materially different, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products, lack of acceptance of new products or services and changes in business strategy. Actual results may vary materially from those projected here. Siemens does not intend or assume any obligation to update these forward-looking statements.