

# Fiscal Year Guidance Achieved – Execution of “Vision 2020” Begun

Joe Kaeser, President and Chief Executive Officer of Siemens AG



*“We delivered the results we originally promised for fiscal 2014 and made substantial progress in strengthening our portfolio. Vision 2020 gives us clear strategic direction going forward.”*

## Financial Highlights\*:

- Fourth-quarter revenue was level year-over-year, and orders rose 2%. The book-to-bill ratio was 1.01 for the quarter, and Siemens’ order backlog was €100 billion. On an organic basis, excluding currency translation and portfolio effects, revenue rose 1% and orders were up 2%.
- Total Sectors profit climbed 28%, to €2.195 billion, led by substantial profit improvements in Industry and Infrastructure & Cities, and income from continuing operations climbed 36%.
- Net income for the fourth quarter rose 40% year-over-year, to €1.498 billion, and basic earnings per share (EPS) increased to €1.72.
- Free cash flow from continuing operations was €3.400 billion, significantly above income from continuing operations but below the high level in the fourth quarter a year earlier.
- For fiscal 2014, organic revenue and orders both rose 1% compared to the prior year, and the book-to-bill ratio was 1.09. Basic earnings per share (EPS) from net income increased 25% year-over-year. Siemens proposes a dividend of €3.30 per share.

\* During the fourth quarter, Siemens classified as discontinued operations the activities of Healthcare’s hospital information systems business. Prior-period results are presented on a comparable basis.

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**SIEMENS**

# Orders and Revenue

## Revenue stable, orders rise

Siemens's fourth-quarter revenue was level with the prior year and orders for the quarter rose 2%. The book-to-bill ratio for Siemens overall was 1.01 and the order backlog (defined as the sum of the order backlogs of the Sectors) was €100 billion.

## Large contract wins in rail and wind power lift orders

Double-digit order growth in Infrastructure & Cities and a slight increase in Healthcare more than offset order declines in Energy and Industry. Major contract wins at Transportation & Logistics included Siemens' largest-ever contract for light rail vehicles in the U.S., with an order value of €483 million.

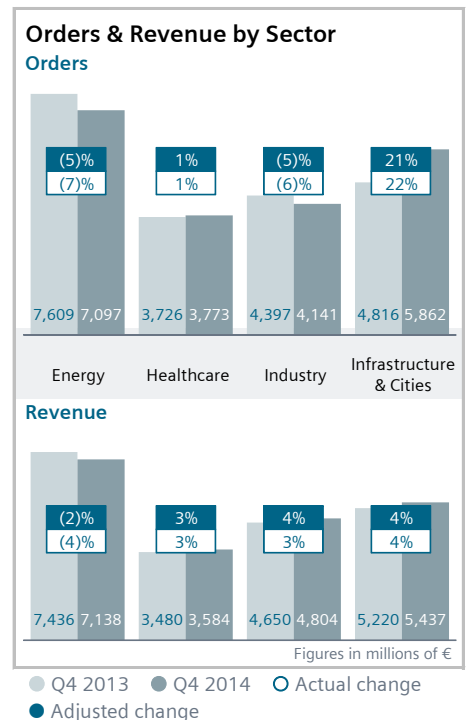
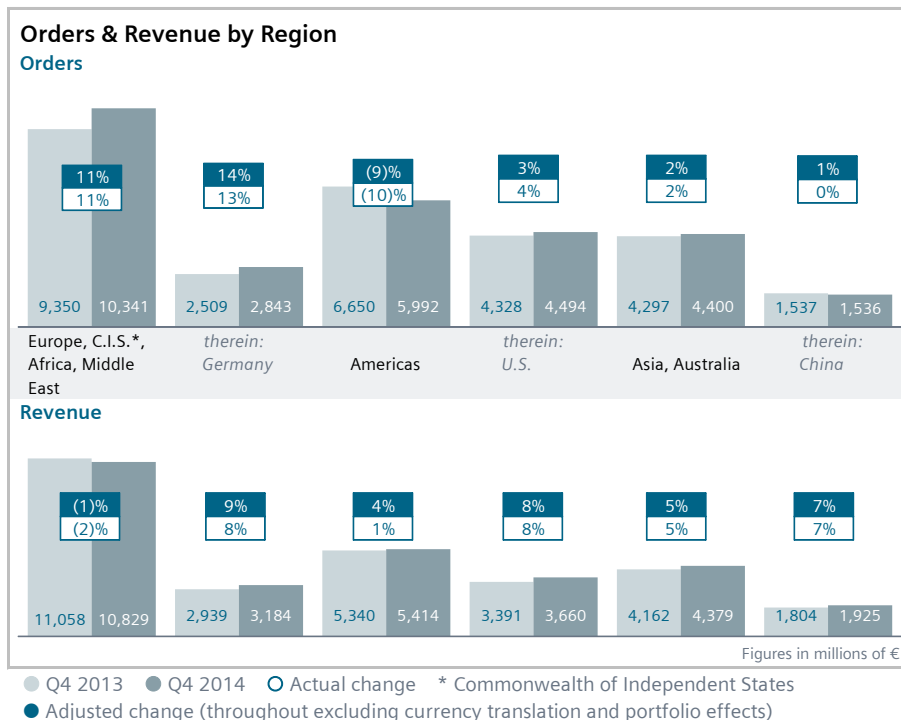
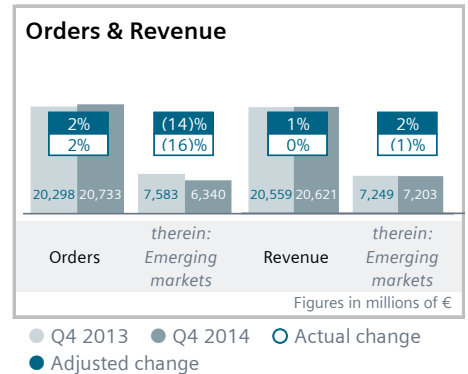
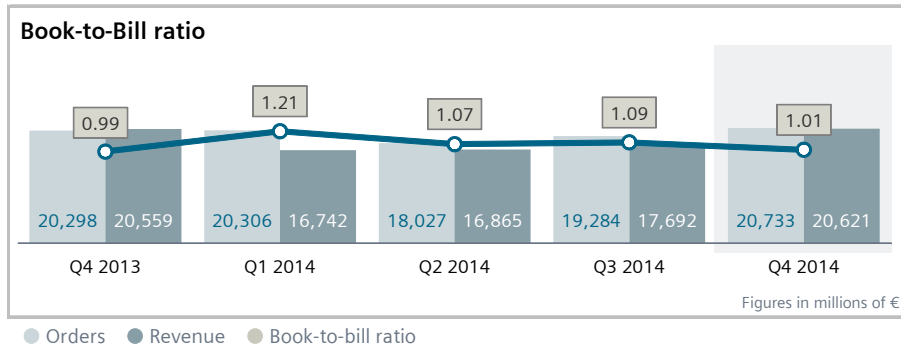
Double-digit order growth in the region comprising Europe, the Commonwealth of Independent States, Africa and the Middle East (Europe/CAME) was driven by major orders for offshore wind farms in the Energy Sector. In contrast, orders in the Americas declined 10% due to a sharp drop in Energy, which more than offset the large order in Infrastructure & Cities mentioned above. Orders in Asia, Australia were up 2%. Orders in emerging markets declined 16% to €6.340 billion, due in part to a lower volume from large orders in Energy, and represented 31% of total orders for the quarter.

## Moderate revenue growth in three of four Sectors

Infrastructure & Cities, Healthcare and Industry all delivered moderate

revenue growth compared to the fourth quarter a year ago. These increases were offset by Energy, where strong fourth-quarter revenue still came in below the high level of the prior year.

On a geographic basis, fourth-quarter revenue in Europe/CAME decreased slightly year-over-year, as a double-digit decline in Energy more than offset revenue growth in the other Sectors. Revenue rose in Asia, Australia on increases in all Sectors, particularly a double-digit increase in Infrastructure & Cities driven by China. In the Americas, a slight increase in revenue was due to growth in the wind power business in the U.S. Revenue in emerging markets declined slightly to €7.203 billion and represented 35% of total revenue for the quarter.



## Income and Profit

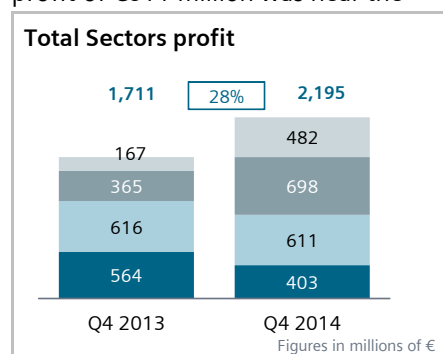
### Industry and Infrastructure & Cities lift Total Sectors profit

Fourth-quarter Total Sectors profit rose to €2.195 billion. For comparison, profit of €1.711 billion a year earlier was impacted by €650 million in charges for the “Siemens 2014” productivity improvement program, taken primarily in Infrastructure & Cities (€255 million), Industry (€200 million), and Energy (€151 million). With profit of €698 million in the current period, Industry made the largest contribution to Total Sectors profit and also delivered the strongest profit improvement year-over-year. Infrastructure & Cities increased its fourth-quarter profit to €482 million with continued solid project execution and improved productivity. Healthcare’s profit of €611 million was near the

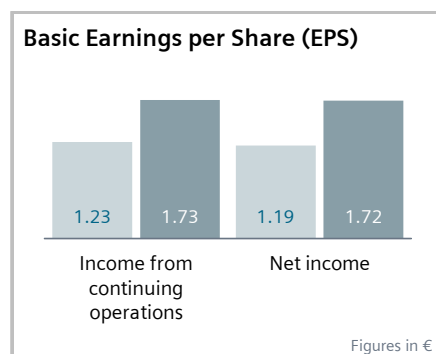
high level the Sector achieved in the prior-year period. In contrast, fourth-quarter profit in Energy fell sharply year-over-year to €403 million, due primarily to charges of €223 million at the Sector’s Wind Power Division.

### EPS rises sharply

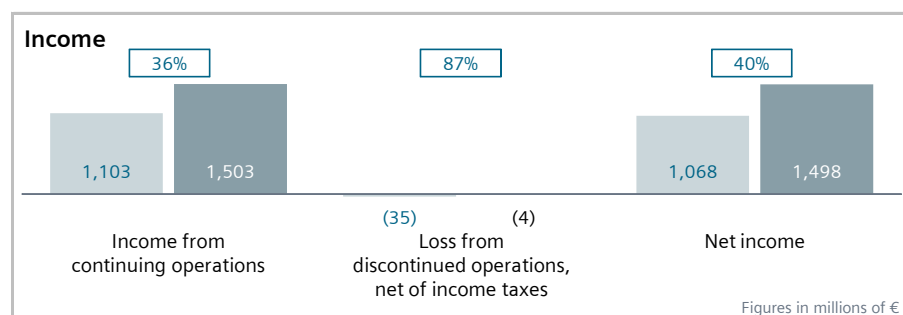
Income from continuing operations increased to €1.503 billion from €1.103 billion a year earlier, due predominately to higher Total Sectors profit. Results outside the Sectors contributed to the increase to a much lesser extent. In particular, Centrally managed portfolio activities recorded a profit compared to a loss in the prior-year period, due mainly to projects remaining from the Metals Technologies business. This positive factor more than offset lower income from real estate disposals at Siemens Real Estate (SRE). Fourth-quarter net income rose to €1.498 billion and corresponding basic EPS climbed 44% year-over-year, to €1.72.



Sectors: ● Energy ● Healthcare ● Industry  
● Infrastructure & Cities ○ % Change



● Q4 2013 ● Q4 2014



● Q4 2013 ● Q4 2014 ○ % Change

## Cash, Return on Capital Employed (ROCE), Pension Funded Status

### Strong year-end cash performance in the Sectors

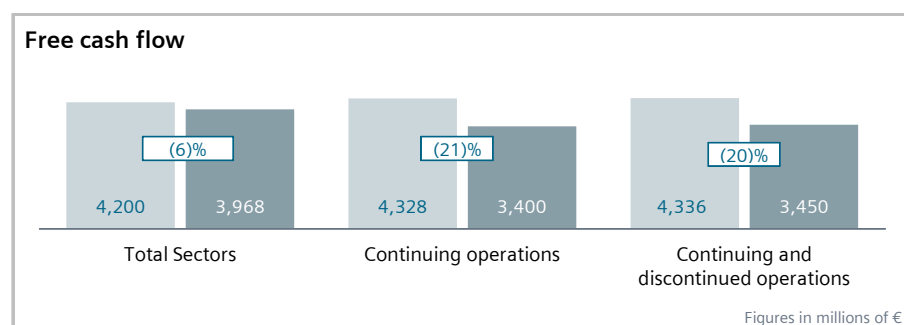
As in previous years, the fourth quarter included an outstanding cash performance at the Sector level. With substantial conversion of Sector profit into cash, Free cash flow was €3.968 billion, close to the high level of the prior-year period. Free cash flow from continuing operations was €3.400 billion compared to €4.328 billion in the prior-year quarter. The decrease year-over-year was due primarily to Corporate Treasury activities, including a negative swing in settlements of hedging instruments. The current quarter included cash inflows totaling €1.4 billion from a decrease in operating net working capital, compared to inflows of €1.6 billion a year earlier. In the current period the decrease in operating net working capital was due mainly to a decline in inventories at project businesses in Energy and Infrastructure & Cities.

### ROCE rises on higher income

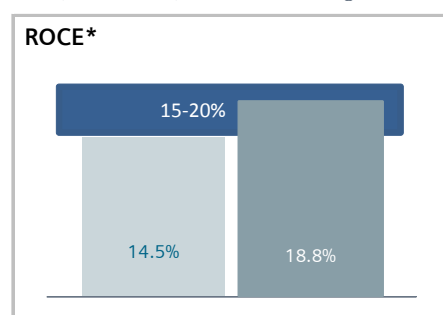
On a continuing basis, ROCE increased to 18.8%, up from 14.5% in the prior-year quarter. The increase was due to higher income from continuing operations.

### Pension plan underfunding decreases

The underfunding of Siemens' pension plans as of September 30, 2014 amounted to €8.5 billion, compared to an underfunding of €9.7 billion as of June 30, 2014. The major factor in this decrease in underfunding was the discount rate assumption, which increased due to a refinement in how it is determined.



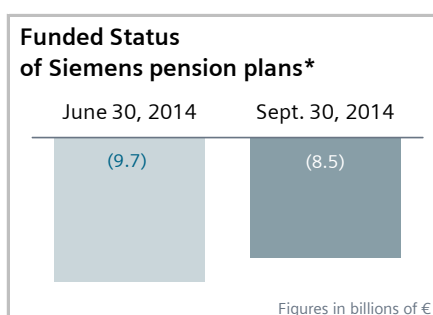
● Q4 2013 ● Q4 2014 ○ % Change



● Q4 2013 ● Q4 2014

● ROCE target range

\* Continuing operations



\* Continuing operations

## Energy Sector

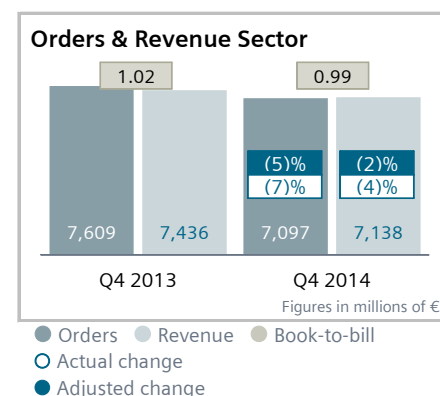
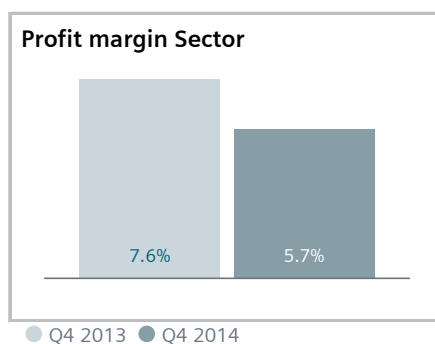
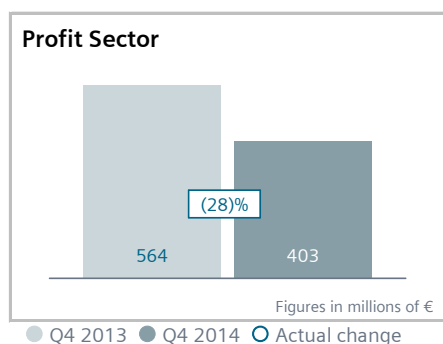
### Pressure on growth and profit

Fourth-quarter profit in the **Energy Sector** declined to €403 million, as ongoing challenges within the Sector led to lower results year-over-year. A year earlier, fourth-quarter profit of €564 million was burdened primarily by €151 million in "Siemens 2014" charges. In contrast, the major impact on profit in the current period was €223 million in charges at the Wind Power Division, which resulted in a loss for the Division compared to a profit in the prior-year period. Power Generation led all Siemens Divisions in profit contribution in both periods under review, but recorded a moderate decline year-over-year. Power Transmission recorded a larger loss than in the fourth quarter a year ago. Sector profit for the current quarter benefited from a gain of €48 million at Wind Power related to the fair value measurement for an equity investment. A year earlier, profit was burdened by impairments of €39 million at the Sector's tidal hydro power business.

Fourth-quarter revenue for the Sector declined 4%, due to a significant drop in revenue in Europe/CAME compared to the prior-year period. Orders came in 7% lower, as a sharp drop in the Americas, mainly in the Power Generation Division, more than offset large contract wins for offshore wind-farms in Europe/CAME. Energy's book-to-bill ratio was 0.99 and its order backlog was €58 billion at the end of the quarter.

### Solid profit contribution in an increasingly challenging market

**Power Generation** delivered €520 million in fourth-quarter profit. For comparison, profit in the prior-year period included €72 million in "Siemens 2014" charges. While both periods included a strong contribution from the service business, the prior-year contribution was even higher. The Division continues to face challenges in an increasingly competitive market for large gas turbines. Orders fell 13% compared to the prior-year-period on a substantial decline in the Americas. This more than offset order growth in the Asia, Australia and Europe/CAME reporting regions. Fourth-quarter revenue for the Division was down 2% year-over-year, due to a decline in Europe/CAME that more than offset growth in other regions.



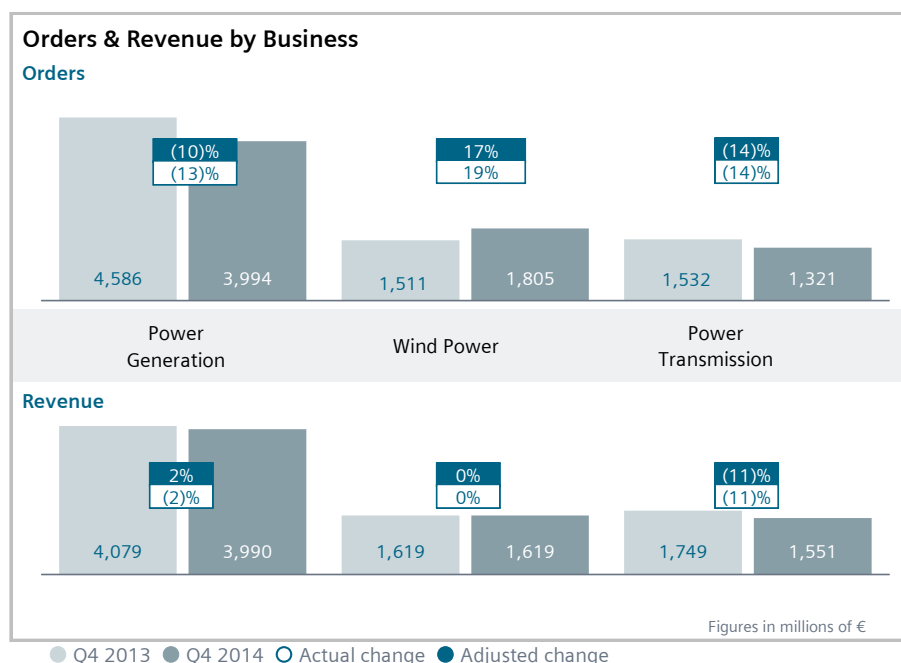
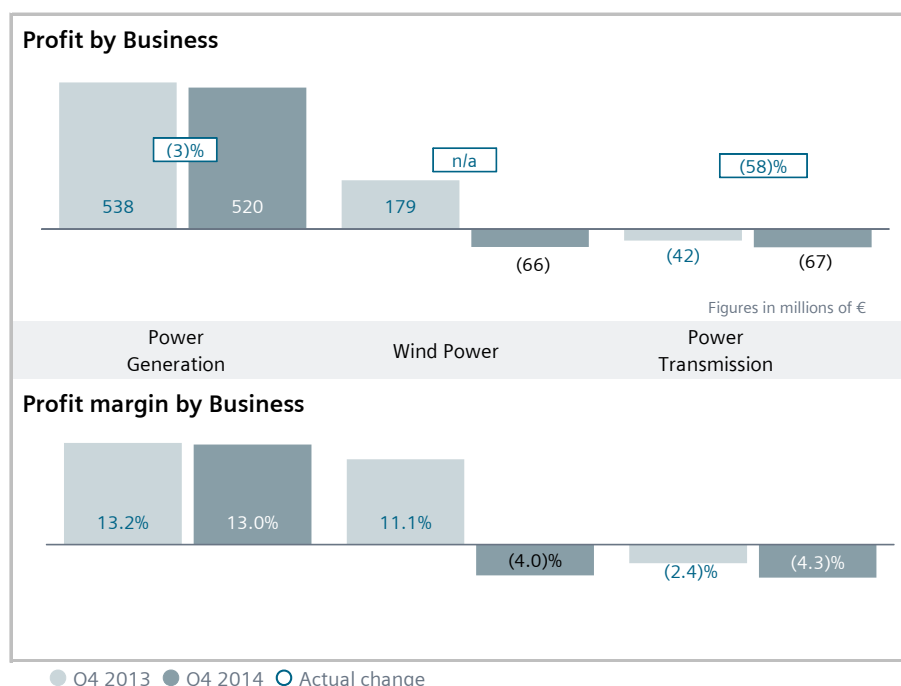
### Substantial loss, orders up year-over-year

**Wind Power** reported a loss of €66 million compared to a profit of €179 million in the fourth quarter a year earlier. The primary factor in the change was €223 million in charges for inspecting and replacing main bearings in onshore wind turbines and for repairing offshore and onshore wind blades. In addition, the profit contribution from the Division's high-margin offshore business was

significantly lower than in the prior-year period. The Division's result for the quarter benefited from the €48 million gain mentioned above for the Sector. Revenue for Wind Power was unchanged compared to the prior-year period, as strong growth in the Americas offset declines in other regions. Orders were up 19% year-over-year, driven by large orders in Europe/CAME.

### Challenges continue in solutions business

**Power Transmission** posted a loss of €67 million compared to a loss of €42 million in the same quarter a year earlier. Profit was again held back by project execution challenges, including charges of €41 million in the current period compared to €37 million a year earlier. The Division reached several material milestones with respect to its North Sea grid connection projects in the fourth quarter. While the charges related to off-shore grid connections decreased compared to the prior-year period, the current period also included charges related to a high-voltage direct current (HVDC) project in the U.K. The current period included €25 million in charges primarily for capacity adjustments, while the prior-year period included €76 million in "Siemens 2014" charges. In addition, profit was again held back by a revenue decline and a high proportion of projects in the solutions business with low or negligible profit margins. Fourth-quarter revenue for Power Transmission came in 11% lower year-over-year, due in part to selective order intake in the past. Orders were down 14% compared to the prior-year period, as the Division continued its selective order intake. On a geographic basis, revenue and order intake were down in all three reporting regions. Legacy projects are expected to hold back results in coming quarters.



## Healthcare Sector

### Strong profit contribution, growth in revenue and orders

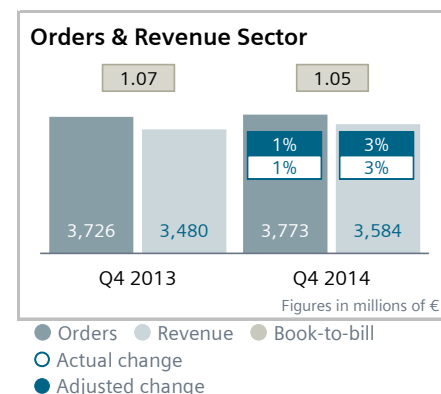
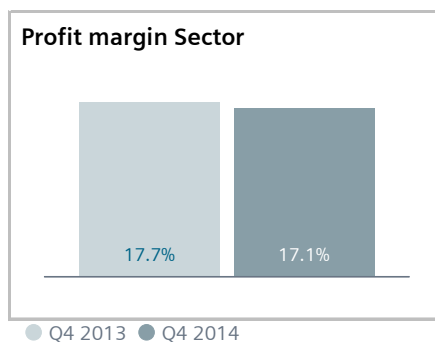
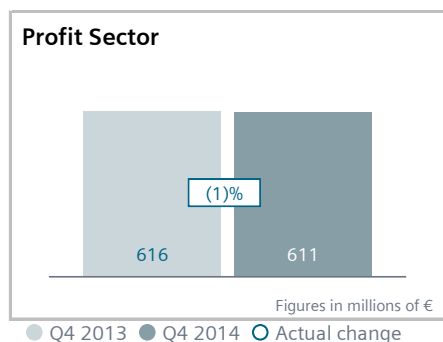
Fourth-quarter profit in **Healthcare** was €611 million, close to the high level of the prior-year period which included €44 million in charges for the Sector's "Agenda 2013" initiative. Profit in the current period was held back by lower earnings in the Sector's imaging and therapy systems businesses including unfavorable currency effects.

Profit at the Diagnostics business rose to €110 million from €82 million in the prior-year period, which included €21 million of the "Agenda 2013" charges mentioned above. Purchase price allocation (PPA) effects related to past acquisitions at Diagnostics were €40 million in the fourth quarter. A year earlier, Diagnostics recorded €42 million in PPA effects.

Fourth-quarter revenue for Healthcare was up 3% compared to the prior-year period on increases in all three reporting regions. Orders rose slightly due to increases in Europe/CAME and the Americas. This more than offset a weaker development in China particularly in the Sector's imaging and therapy systems businesses compared to the prior-year period, reflecting an overall weaker market environment and increased competition. The book-to-bill ratio for the Sector was 1.05, and Healthcare's order backlog was €4 billion at the end of the quarter.

Diagnostics reported revenue of €1.037 billion in the fourth quarter, a 1% increase from €1.026 billion in the prior-year period. On a geographic basis, revenue growth mainly came from China. On a comparable basis, fourth-quarter revenue for Diagnostics was up 2% year-over-year.

During the fourth quarter, Siemens classified as discontinued operations the activities of Healthcare's hospital information system business, which will be sold to the U.S.-based company Cerner Corp. Prior-period results are presented on a comparable basis.

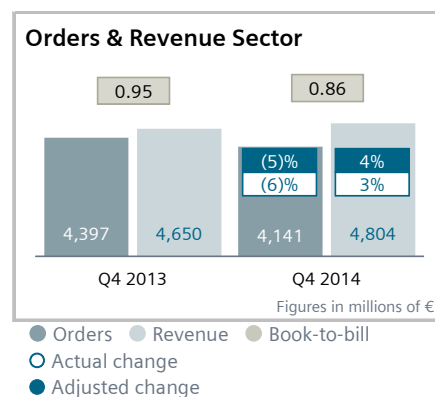
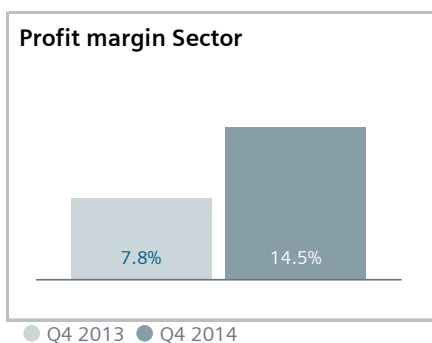
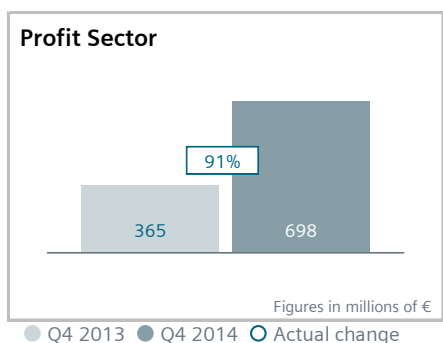


# Industry Sector

## Better mix and higher revenue lift profit

**Industry** continued to deliver strong performance, including a more favorable revenue mix and increased productivity compared to the prior-year period. As a result, fourth-quarter profit in Industry rose to €698 million. For comparison, the Sector’s profit of €365 million a year earlier was held back by €200 million in “Siemens 2014” charges.

Fourth-quarter revenue increased 3% year-over-year, including increases at both Divisions and in all three reporting regions. Fourth-quarter orders declined 6% year-over-year, due mainly to a lower volume from large orders in the Sector’s long-cycle business. The Sector’s book-to-bill ratio was 0.86 and its order backlog at the end of the quarter was €7 billion.



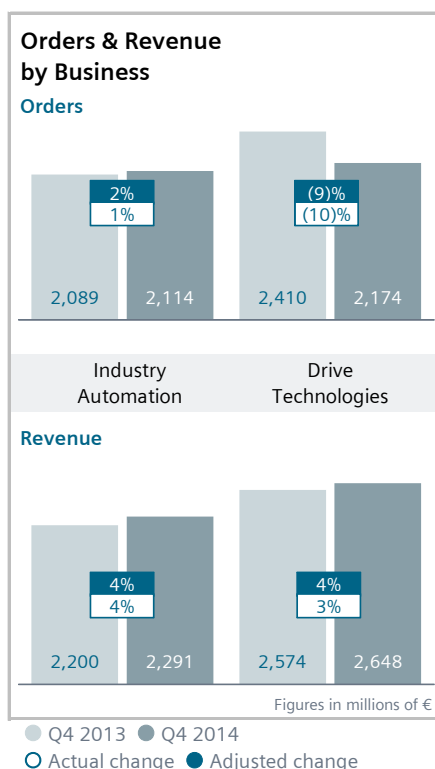
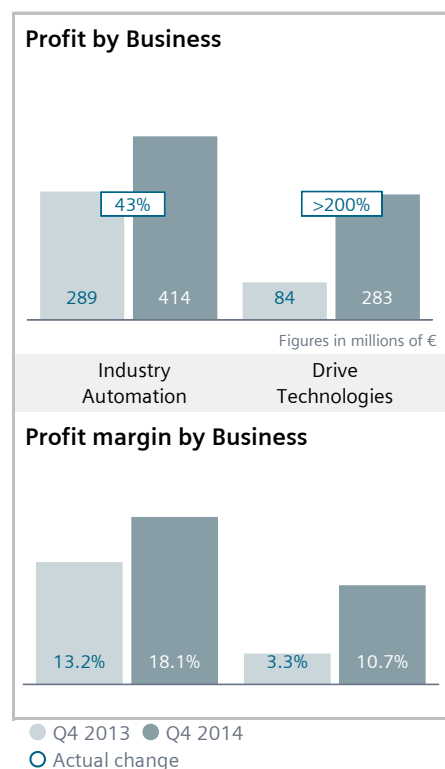


### Strong profit contribution, higher revenue and orders

**Industry Automation** delivered fourth-quarter profit of €414 million, up strongly from the prior-year quarter which was impacted by €42 million in “Siemens 2014” charges. Profit development included higher revenue and lower acquisition-related effects compared to the prior-year period. In particular, PPA effects related to UGS Corp. fell to €7 million from €36 million a year earlier. PPA effects related to LMS were €11 million in both the current and prior-year quarter. Fourth-quarter revenue increased 4% and orders came in 1% higher year-over-year. On a geographic basis, revenue was up in all three reporting regions, while order growth came from the Americas and Asia, Australia.

### Revenue and profit up, mixed picture in orders

Profit at **Drive Technologies** increased to €283 million in the fourth quarter, due in part to an improved cost position and a higher share of revenue from its higher-margin motion control business. For comparison, profit of €84 million in the prior-year period was held back by €147 million in “Siemens 2014” charges. Fourth-quarter revenue rose 3% year-over-year. While demand in the Division’s motion control business remained strong, orders came in 10% below the prior-year quarter due primarily to a lower volume from large orders compared to a year ago, particularly in the Division’s long-cycle business. On a geographic basis, volume growth came primarily from China.



## Infrastructure & Cities Sector

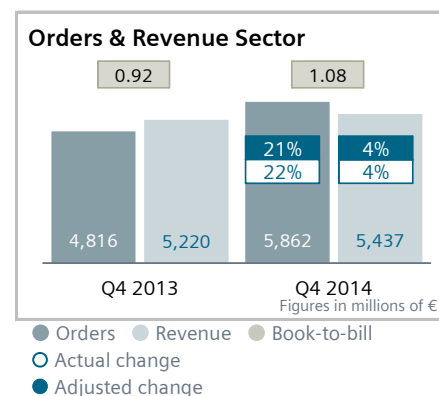
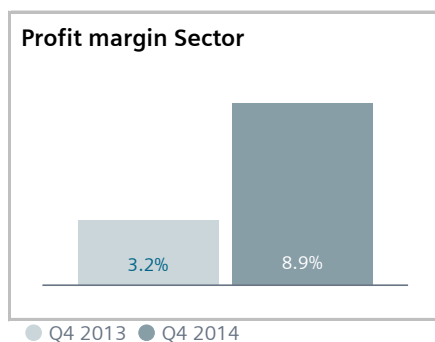
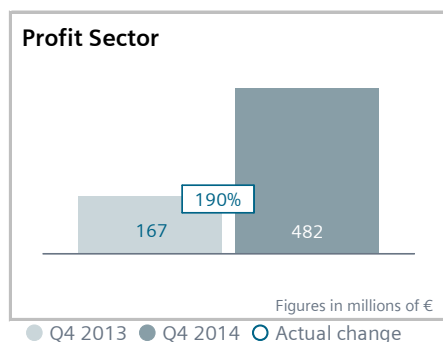
### Strong profit improvement, growth in revenue and orders

In the fourth quarter, **Infrastructure & Cities** again took its profit sharply higher year-over-year. Sector profit rose to €482 million with all Business-es contributing to the increase. For comparison, profit of €167 million in the prior-year period was impacted by €255 million in charges for “Siemens 2014,” with the largest share taken at Transportation & Logistics. This Business made the most significant contribution to the Sector’s profit improvement in the current period, as it continued its solid project execution. Sector profit development also benefited from improved productivity at Power Grid Solutions & Products, while Building Technologies was able to sustain its high level of profitability compared to the same quarter a year earlier.

Fourth-quarter revenue for Infrastructure & Cities rose 4% year-over-year, due mainly to a double-digit increase at Transportation & Logistics. Revenue at Power Grid Solutions & Products also rose, while revenue at Building Technologies declined compared to the prior-year period. A 22% increase in orders year-over-year was driven by sharply higher order intake at Transportation & Logistics, including an order worth €483 million for light rail vehicles in San Francisco – the largest such contract ever awarded to Siemens in the U.S. – and an order for commuter and regional trains in the U.K. The Sector’s book-to-bill ratio was 1.08 and its order backlog at the end of the quarter was €31 billion.

### Continued solid project execution

In the fourth quarter, **Transportation & Logistics** contributed €108 million to Sector profit. For comparison, a loss of €78 million in the prior-year quarter included €149 million “Siemens 2014” charges, as well as higher transaction and integration costs related to the acquisition of Invensys Rail. PPA effects related to the acquisition were €14 million in the current period, similar to the level a year earlier. Revenue for the Business rose 11% year-over-year as Transportation & Logistics continued to convert large rolling stock orders into current business, particularly in Europe/CAME and Asia, Australia. Orders rose sharply due to several major contract wins, including the U.S. and the U.K. orders mentioned above.



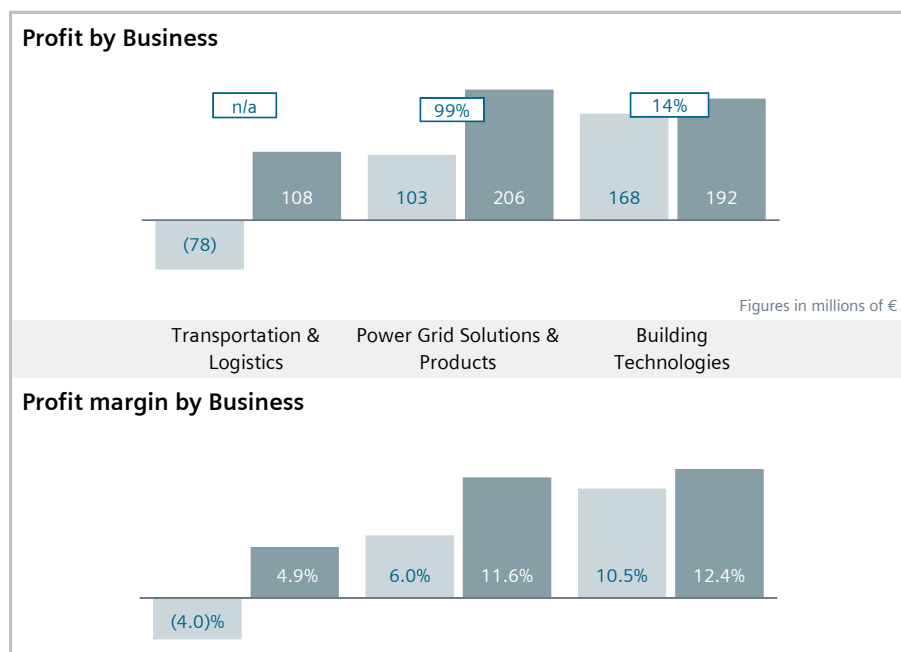
### Higher productivity lifts profit

Profit at **Power Grid Solutions & Products** doubled compared to the prior-year period, which was burdened by €74 million in “Siemens 2014” charges. Productivity improvements between the periods under review helped drive the increase in profit in

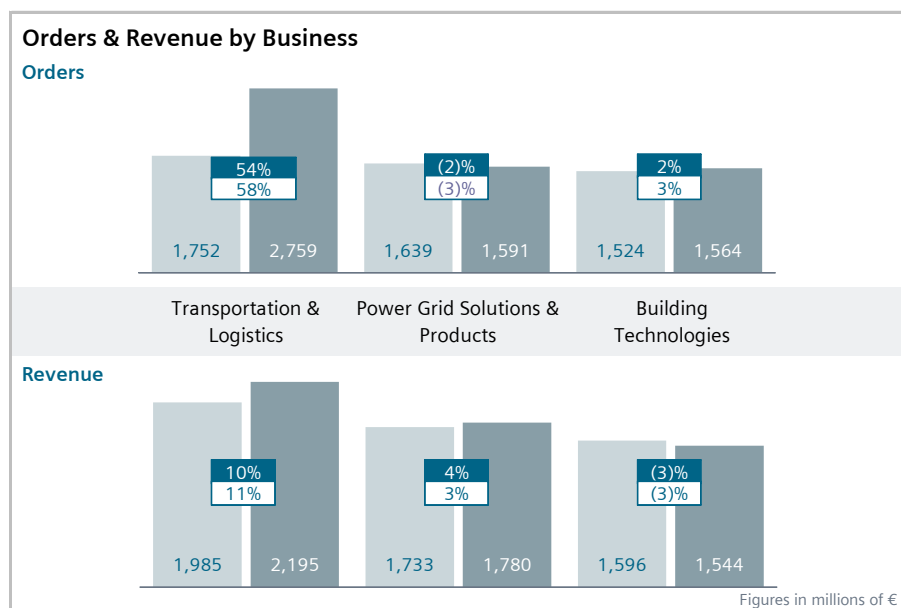
the current period. Revenue rose 3%, driven by the majority of businesses within Power Grid Solutions & Products. A 3% decline in fourth-quarter orders year-over-year was due mainly to lower demand for large projects in the medium voltage business.

### Strong year-end profit performance

In a typically robust finish to the fiscal year, **Building Technologies** generated fourth-quarter profit of €192 million. For comparison, profit of €168 million in the prior-year period was burdened by €29 million in “Siemens 2014” charges. Revenue at Building Technologies came in 3% lower due in part to selective order intake in prior periods. Fourth-quarter orders rose 3% year-over-year, driven by a double-digit increase in Asia, Australia.



● Q4 2013 ● Q4 2014 ○ Actual change



● Q4 2013 ● Q4 2014 ○ Actual change ● Adjusted change

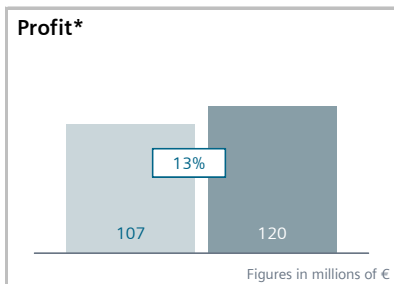
## Equity Investments and Financial Services

### Lower income from Equity Investments

Fourth-quarter profit at **Equity Investments** was €65 million, down from €109 million in the same period a year earlier, when profit benefited from a €76 million gain from the sale of Siemens' share in Nokia Siemens Networks B.V.

### Higher income from Financial Services

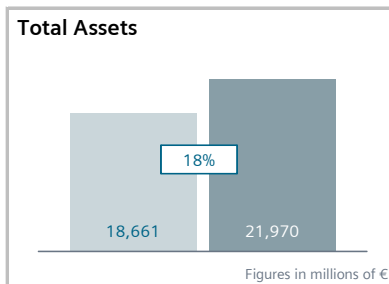
**Financial Services (SFS)** executed its planned asset growth during the fourth quarter, contributing to increases in earnings and higher total assets. Profit increased to €120 million compared to €107 million in the prior-year quarter. Total assets rose to €21.970 billion at the end of fiscal 2014, compared to €18.661 billion at the end of fiscal 2013, including positive currency translation effects and substantial early terminations of financings.



● Q4 2013 ● Q4 2014

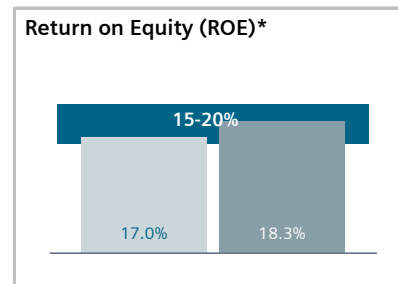
○ Actual change

\* Financial Services profit as reported in the Segment Information is defined as Income before income taxes



● Sept. 30, 2013 ● Sept. 30, 2014

○ Actual change



● Q4 2013 ● Q4 2014

● ROE (after tax) target range

\* ROE (after tax) is calculated as profit after tax (annualized for purposes of interim reporting) divided by SFS average allocated equity, which was €2.093 billion compared to €1.926 billion in the prior-year period

## Corporate Activities

### Improved results from centrally managed portfolio activities

**Centrally managed portfolio activities** reported a profit of €72 million in the fourth quarter, compared to a loss of €99 million in the same period a year earlier. This change was due mainly to contractual changes which significantly reduced risks related to projects remaining from the Metals Technologies business.

### Lower gains from disposal of real estate

Income before income taxes at **Siemens Real Estate (SRE)** was €26 million in the fourth quarter, compared to €113 million in the same period a year earlier. As in the past, income from SRE continues to be highly dependent on disposals of real estate.

### Higher loss from corporate items and pensions

**Corporate items and pensions** reported a loss of €440 million in the fourth quarter, compared to a loss of €395 million in the same period a year earlier. Corporate items in the current period posted a loss of €343 million in the current quarter, including expenses resulting from changes in the fair value of warrants issued together with US\$3 billion in bonds in fiscal 2012. In the prior-year quarter, the loss for Corporate items was €295 million. Centrally carried pension expense totaled €96 million in the current period compared to €100 million in the prior-year period.

Because the fair value of the warrants mentioned above depends on the underlying Siemens and OSRAM share prices as well as their respective volatilities, results for Corporate items are expected to remain variable in coming quarters.

### Positive results from Eliminations, Corporate Treasury and other reconciling items

Income before income taxes from **Eliminations, Corporate Treasury and other reconciling items** was a positive €4 million in the fourth quarter, compared to a negative €39 million in the same period a year earlier. The swing year-over-year included positive changes in the fair value of interest rate derivatives related to interest rate management at Corporate Treasury.

## Outlook

We believe that our business environment will be complex in fiscal 2015, among other things due to geopolitical tensions. We expect revenue on an organic basis to remain flat year-over-year, and orders to exceed revenue for a book-to-bill ratio above 1.

Furthermore, we expect that gains from divestments will enable us to increase basic earnings per share (EPS) from net income by at least 15% from €6.37 in fiscal 2014. For our Industrial Business, we expect a profit margin\* of 10–11%.

This outlook excludes impacts from legal and regulatory matters.

\*Effective with fiscal 2015, our enhanced profit definition excludes amortization of intangible assets acquired in business combinations.

## Notes and Forward-Looking Statements

All figures are preliminary and unaudited.

Financial Publications are available for download at:

[www.siemens.com/ir](http://www.siemens.com/ir) → Publications & Calendar.

Beginning today at 09:00 a.m. CET, the press conference at which CEO Joe Kaeser, CFO Ralf P. Thomas and Managing Board member Lisa Davis discuss the quarterly figures will be broadcast live at [www.siemens.com/pressconference](http://www.siemens.com/pressconference).

Starting today at 11:00 a.m. CET, Joe Kaeser, Ralf P. Thomas and Lisa Davis will hold a telephone conference in English for analysts and investors, which can be followed live at [www.siemens.com/analystcall](http://www.siemens.com/analystcall). Recordings of the press conference and the analysts and investors conference will subsequently be made available as well.

This document contains statements related to our future business and financial performance and future events or developments involving Siemens that may constitute forward-looking statements. These statements may be identified by words such as "expect," "look forward to," "anticipate," "intend," "plan," "believe," "seek," "estimate," "will," "project" or words of similar meaning. We may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases. In addition, our representatives may from time to time make oral forward-looking statements. Such statements are based on the current expectations and certain assumptions of Siemens' management, of which many are beyond Siemens' control. These are subject to a number of risks, uncertainties and factors, including, but not limited to those described in disclosures, in particular in the chapter Risks in the Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of Siemens may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Siemens neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

This document includes – in IFRS not clearly defined – supplemental financial measures that are or may be non-GAAP financial measures. These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Siemens' net assets and financial positions or results of operations as presented in accordance with IFRS in its Consolidated Financial Statements. Other companies that report or describe similarly titled financial measures may calculate them differently.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.