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### Mixed picture in second quarter

- **New orders climb 20 percent due to major orders**
- **Order backlog at €101 billion**
- **Revenue declines seven percent**
- **Net income increases to €1 billion**
- **Earnings per share rise from €1.03 to €1.20**
- **Free cash flow improves to nearly €1.4 billion**
- **Challenges at rail systems and offshore grid connection projects**
- **Focus on rigorous execution of Siemens 2014**

Siemens' results for the second quarter of fiscal 2013 present a mixed picture. New orders, free cash flow and earnings per share showed substantial improvement. Revenue and Total Sectors profit declined, primarily due to a still difficult market environment. Total Sectors profit was also impacted again by burdens at the company's high-speed trains business and from offshore grid connection projects in the North Sea. "Results for the second quarter show a mixed picture. While we were able to clearly increase orders, we still have challenges regarding revenue and profit. Even more we're focusing on the factors that lie in our own hands: we're rigorously executing our company-wide Siemens 2014 program," said Siemens President and CEO Peter Löscher.

In the second quarter of fiscal 2013, which ended on March 31, 2013, new orders increased substantially by 20 percent year-over-year to €21.5 billion due to major orders in the offshore wind power and rail systems businesses. Revenue declined seven percent to €18.0 billion. The book-to-bill ratio in the second quarter was 1.19 while the combined order backlog for all Sectors totaled €101 billion at the end of the quarter.

At the Energy Sector, new orders soared in the second quarter by 46 percent year-over-year to €8.5 billion. Two major offshore projects at the Wind Power Division were the main driver here. Revenue at the Sector declined nine percent to €6.3 billion. Due to success in its imaging business, the Healthcare Sector reported a three-percent increase in new orders to €3.3 billion. Revenue declined slightly by two percent to €3.3 billion. The Industry Sector was particularly impacted by difficult market conditions for its short-cycle businesses. Revenue at the Sector declined nine percent to €4.6 billion. New orders likewise totaled €4.6 billion, a ten-percent decline. The Infrastructure & Cities Sector profited at its Rail Systems Division from two major orders in Austria and Germany. New orders at the Sector climbed 34 percent year-over-year to €5.2 billion, while revenue was down five percent to €4.1 billion.

### **Profit**

Profit was impacted by special burdens as well as declining revenue. For example, the Sectors incurred charges of €104 million in connection with the Siemens 2014 program. Total Sectors profit declined 29 percent year-over-year to slightly less than €1.4 billion. Income from continuing operations remained roughly stable at €982 million due, among other things, to improvements at NSN.

Net income was up ten percent to about €1 billion due to a positive contribution from the company's discontinued activities. Undiluted earnings per share, which rose from €1.03 in the second quarter of fiscal 2012 to €1.20, profited from the share buyback program implemented between the reporting periods. Free cash flow from continuing operations increased from €532 million to nearly €1.4 billion.

Profit at the Energy Sector declined in the second quarter from €573 million in the comparable prior-year period to €551 million. Here, charges relating to the connection of offshore wind farms to the power grid were again incurred. Charges related to grid connection projects totaled €84 million in the second quarter compared to €278 million a year earlier. At the Healthcare Sector, profit increased from €424 million to €445 million due to further cost savings achieved in the course of the Sector's Agenda 2013 program and to lower burdens in connection with the initiative.

At the Industry Sector, profit declined from €662 million to €350 million due to lower capacity utilization and a more unfavorable revenue mix. Profit at the Infrastructure & Cities Sector fell from €270 million in the prior-year period to €27 million. Charges of €161 million were incurred in connection with delays in the delivery of the Velaro in Germany and the Velaro Eurostar.

### **Siemens 2014**

The company is making good progress in the implementation of its Siemens 2014 program. A total of some 20,000 measures to enhance competitiveness, efficiency and cutting costs have been defined and, in part, implemented.

The Energy Sector is expected to make the largest contribution – €3.3 billion – to the program's total savings volume of at least €6 billion. The Healthcare Sector is expected to contribute €0.8 billion, the Industry Sector €1.1 billion and the Infrastructure & Cities Sector €0.8 billion.

Siemens is also driving the announced strengthening of its core business. Following antitrust approval, the acquisition of signaling and control systems supplier Invensys Rail will now be concluded. "While the initial results of the Siemens 2014 program have been gratifying, we must remain resolute and not relax our efforts," said Löscher.

### **Outlook**

In fiscal 2013, Siemens is implementing Siemens 2014, a company-wide program supporting the One Siemens framework for sustainable value creation. The goal of the program is to raise the Total Sectors profit margin to at least 12 percent by fiscal 2014.

For fiscal 2013, Siemens confirms its expectations of moderate organic order growth. With continuing challenges for its businesses whose results react strongly to short-term changes in the economic environment, the company now anticipates a moderate decline in revenue on an organic basis compared to the prior year. Charges associated with the Siemens 2014 program in the Sectors are expected to total up to €0.9 billion for the full fiscal year.

Given these developments and financial results for the first half, Siemens expects income from continuing operations in fiscal 2013 to approach the low end of its original expectation, €4.5 billion, before impacts related to legal and regulatory matters and significant portfolio effects which it expects to burden income by up to €0.5 billion due primarily to the solar business.

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