SIEMENS

Energy efficiency

Next-generation healthcare

Industrial productivity

Intelligent infrastructure solutions

Interim Report

Third Quarter and First Nine Months of Fiscal 2014

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Key to references

→ REFERENCE WITHIN THE PUBLICATION

↗ REFERENCE TO AN EXTERNAL PUBLICATION

REFERENCE TO THE INTERNET

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A. Introduction

Siemens AG's Interim Report for the Siemens Group complies with the applicable legal requirements of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) regarding quarterly financial reports, and comprises Condensed Interim Consolidated Financial Statements and an Interim group management report in accordance with section 37x (3) WpHG. The Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU). The Condensed Interim Consolidated Financial Statements also comply with IFRS as issued by the IASB. This Interim Report should be read in conjunction with our Annual Report for fiscal 2013, which includes a detailed analysis of our operations and activities.

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.

B. Key figures

(unaudited; in millions of €, except where otherwise stated)

Volume

Orders – continuing operations

Q3 2014	19,411	0% [2]
Q3 2013	20,113	

Revenue – continuing operations

Q3 2014	17,921	1% [2]
Q3 2013	18,611	

Profitability and Capital efficiency

Income from continuing operations

Q3 2014	1,371	36%
Q3 2013	1,006	

ROCE (adjusted) – continuing operations

Q3 2014	16.9%
Q3 2013	13.0%

Target corridor: 15 – 20%

Net income

Q3 2014	1,399	27%
Q3 2013	1,098	

Basic earnings per share (in €) – **continuing and discontinued operations** [3]

Q3 2014	1.62	28%
Q3 2013	1.27	

Capital structure and Liquidity

Adjusted industrial net debt / Adjusted EBITDA – continuing operations [4]

Q3 2014	0.6
Q3 2013	1.2

Target corridor: 0.5 – 1.0

Free cash flow – continuing operations

Q3 2014	1,127	13%
Q3 2013	996	

Employees

Employees (in thousands)
Germany
Outside Germany

1 April 1 – June 30, 2014 and October 1, 2013 – June 30, 2014.
2 Adjusted for currency translation and portfolio effects.

Q3 and first nine months of fiscal 2014[1]

	Q3 2014	Q3 2013	% Change Actual	% Change Adjusted[2]	1st nine months 2014	1st nine months 2013	% Change Actual	% Change Adjusted[2]
Continuing operations								
Orders	**19,411**	20,113	(3)%	0%	**58,163**	60,069	(3)%	0%
Revenue	**17,921**	18,611	(4)%	1%	**51,993**	53,613	(3)%	0%

	Q3 2014	Q3 2013	% Change	1st nine months 2014	1st nine months 2013	% Change
Total Sectors						
Adjusted EBITDA	**2,217**	1,825	22%	**6,540**	5,813	13%
Total Sectors profit	**1,739**	1,269	37%	**5,162**	4,161	24%
in % of revenue (Total Sectors)	**9.5%**	6.8%		**9.8%**	7.7%	
Continuing operations						
Adjusted EBITDA	**2,237**	1,823	23%	**6,644**	5,949	12%
Income from continuing operations	**1,371**	1,006	36%	**3,909**	3,092	26%
Basic earnings per share (in €)[3]	**1.59**	1.16	37%	**4.53**	3.60	26%
Return on capital employed (ROCE (adjusted))	**16.9%**	13.0%		**16.6%**	13.3%	
Continuing and discontinued operations						
Net income	**1,399**	1,098	27%	**4,009**	3,341	20%
Basic earnings per share (in €)[3]	**1.62**	1.27	28%	**4.65**	3.88	20%
Return on capital employed (ROCE (adjusted))	**17.2%**	13.1%		**16.8%**	13.3%	

	June 30, 2014	September 30, 2013
Cash and cash equivalents	**8,210**	9,190
Total equity (Shareholders of Siemens AG)	**28,136**	28,111
Adjusted industrial net debt	**5,628**	2,805

	Q3 2014	Q3 2013	1st nine months 2014	1st nine months 2013
Continuing operations				
Free cash flow	**1,127**	996	**2,007**	1,038
Continuing and discontinued operations				
Free cash flow	**1,048**	1,053	**1,751**	992

	June 30, 2014 Continuing Operations	June 30, 2014 Total[5]	September 30, 2013 Continuing Operations	September 30, 2013 Total[5]
	349	**357**	354	367
	115	**116**	117	119
	234	**241**	237	248

3 Basic earnings per share – attributable to shareholders of Siemens AG. For fiscal 2014 and 2013 weighted average shares outstanding (basic) (in thousands) for the third quarter amounted to 845,218 and 843,107 and for the first nine months to 845,002 and 844,046 shares, respectively.

4 Calculated by dividing adjusted industrial net debt as of June 30, 2014 and 2013 by annualized adjusted EBITDA.

5 Continuing and discontinued operations.

C. Interim Group Management Report

C.1 Overview for the third quarter of fiscal 2014

(three months ended June 30, 2014)

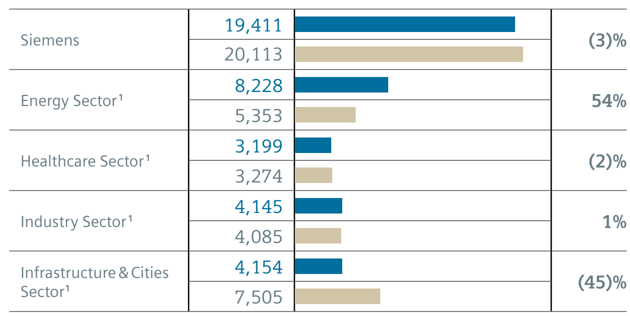
> Third-quarter revenue was 4% lower year-over-year, and orders came in 3% below the prior-year period. The book-to-bill ratio was 1.08 for the quarter, and Siemens' order backlog was €101 billion.
> On an organic basis, excluding currency translation and portfolio effects, revenue rose 1% and orders were stable year-over-year.
> Total Sectors profit rose 37%, to €1.739 billion, highlighted by substantial profit improvements in Infrastructure & Cities and Industry, and income from continuing operations climbed 36%.
> Net income for the third quarter rose 27% year-over-year, to €1.399 billion, and basic earnings per share (EPS) increased to €1.62.
> Free cash flow from continuing operations was €1.127 billion, up from €996 million in the third quarter a year earlier.

Management's perspective on third-quarter results. While we made good progress in most areas, the Energy Sector poses a continued challenge in the quarters to come. "Siemens – Vision 2020" leads the way to sustainable performance improvement.

Currency headwinds remain strong, limit volume development. Third-quarter development for orders and revenue was held back by currency translation effects related to the euro, which remained strong against nearly all other major currencies compared to a year earlier. Reported revenue came in 4% below the prior-year level and orders were down 3%. On an organic basis, excluding currency translation and portfolio effects, revenue rose 1% and orders remained level year-over-year. The book-to-bill ratio for Siemens overall was 1.08 and the order backlog (defined as the sum of the order backlogs of the Sectors) was €101 billion.

Large contract wins in Energy keep organic orders stable. Energy generated substantial order growth from large contract wins in all its Divisions, including a €1.6 billion offshore windfarm order. Industry orders rose slightly compared to the prior-year period. Healthcare orders declined as reported, but rose 2% on an organic basis. Orders in Infrastructure & Cities came in well below the prior-year quarter, when the Sector took in a €3.0 billion order in the UK. Asia, Australia reported double-digit order growth driven by Energy. In the Americas, lower orders were due to decreases in Healthcare and Industry. In the region comprising Europe, the Commonwealth of Independent States (C.I.S.), Africa and the Middle East, orders declined due to the lower volume from larger orders in Infrastructure & Cities. Orders in emerging markets (according to the International Monetary Fund's definition of Emerging Market and Developing Economies) rose 8% to €6.789 billion, representing 35% of total orders for the quarter. Organic order growth was 16% in emerging markets.

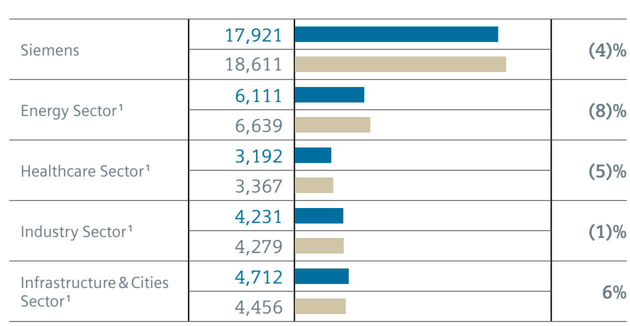
Orders (in millions of €)



1 Includes intersegment orders. Q3 2014 Q3 2013

Infrastructure businesses lead slight increase in organic revenue. Infrastructure & Cities was the revenue growth driver for Siemens in the third quarter, as it continues to execute large contracts won in prior periods. The other Sectors reported revenue declines due in part to currency headwinds as mentioned above. On a comparable basis, the Industry Sector achieved 3% revenue growth in the third quarter, while Healthcare and Energy showed slight declines. On a geographic basis, third-quarter revenue in Europe, C.I.S., Africa, Middle East was level year-over-year, as growth in Infrastructure & Cities offset declines in other Sectors. Revenue decreases in the other reporting regions were due in part to negative currency translation effects. Emerging markets showed a moderate revenue decline, including strong negative currency translation effects, and accounted for €6.017 billion, or 34%, of total revenue for the quarter. Organic revenue growth was 5% in emerging markets.

Revenue (in millions of €)



1 Includes intersegment revenue. Q3 2014 Q3 2013

Orders and revenue by quarter (in millions of €)

Orders	
Q3 2014	19,411
Q2 2014	18,228
Q1 2014	20,525
Q4 2013	20,631
Q3 2013	20,113
Q2 2013	20,972
Q1 2013	18,983

Revenue	
Q3 2014	17,921
Q2 2014	17,097
Q1 2014	16,975
Q4 2013	20,803
Q3 2013	18,611
Q2 2013	17,457
Q1 2013	17,545

Book-to-bill ratio
1.08
1.07
1.21
0.99
1.08
1.20
1.08

Strong profit improvements in Infrastructure & Cities and Industry. In the third quarter, Total Sectors profit rose to €1.739 billion. For comparison, Total Sectors profit of €1.269 billion a year earlier was burdened by €418 million in "Siemens 2014" charges, taken primarily at Infrastructure & Cities (€180 million), Industry (€122 million) and Energy (€102 million). With improvement in its short-cycle businesses, the Industry Sector made the largest contribution to Total Sectors profit. The Sector's profit rose to €548 million, up from €363 million a year earlier. Profit improved even more strongly in the Infrastructure & Cities Sector, as profit climbed to €350 million following a loss of €23 million a year earlier. Profit in Energy declined to €405 million from €430 million in the prior-year quarter, in part due to lower revenue year-over-year. Profit in Healthcare declined to €436 million from €499 million in the third quarter a year ago. Overall, profit development for the Sectors was held back by negative currency effects, particularly in Industry and Healthcare, and these effects are expected to continue to a lesser extent in the remainder of the fiscal year.

Profit Sectors (in millions of €)

	Q3 2014	Q3 2013	
Total Sectors profit	1,739	1,269	37%
Energy Sector	405	430	(6)%
Healthcare Sector	436	499	(13)%
Industry Sector	548	363	51%
Infrastructure & Cities Sector	350	(23)	n/a

Q3 2014 Q3 2013

Higher Total Sectors profit lifts net income and EPS. Income from continuing operations rose to €1.371 billion, up from €1.006 billion a year earlier. The increase was due predominantly to Total Sectors profit. The profit contribution from outside the Sectors was also higher. Net income for the third quarter rose to €1.399 billion compared to €1.098 billion in the prior-year period. Corresponding basic EPS increased to €1.62, up 28% year-over-year from €1.27. Within net income, discontinued operations contributed €28 million in income in the current period, down from €92 million a year earlier which included higher contributions to income from discontinued operations related to former Siemens IT Solutions and Services and OSRAM activities.

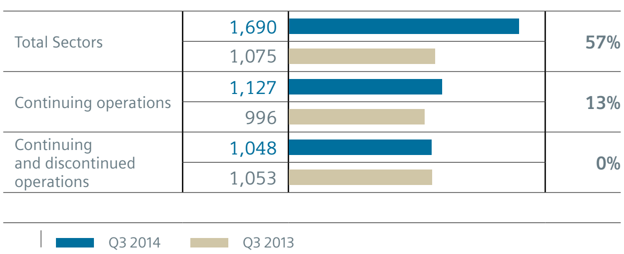
Income and Profit (in millions of €)

	Q3 2014	Q3 2013	
Total Sectors profit	1,739	1,269	37%
Income from continuing operations	1,371	1,006	36%
Net income	1,399	1,098	27%

Q3 2014 Q3 2013

Third-quarter Free cash flow increases year-over-year. Free cash flow from continuing operations for the third quarter increased to €1.127 billion from €996 million a year earlier. The main factor in the increase was reduced cash outflows related to operating net working capital, primarily at the Sector level. The current quarter included cash outflows totaling €0.6 billion from an increase in operating net working capital, compared to outflows of €1.3 billion in the prior-year period. In the current period, the increase in operating net working capital was due mainly to an increase in trade and other receivables primarily at project businesses in Energy and Infrastructure & Cities. This cash flow improvement year-over-year was partly offset by negative effects related mainly to Corporate Treasury activities.

Free cash flow (in millions of €)



ROCE rises on higher income. On a continuing basis, ROCE (adjusted) increased to 16.9% in the third quarter of fiscal 2014, up from 13.0% a year earlier. The increase was due to higher income from continuing operations year-over-year.

Pension plan underfunding increases. The underfunding of Siemens' pension plans as of June 30, 2014 amounted to €9.7 billion, compared to an underfunding of €8.9 billion as of March 31, 2014. A substantial decrease in the discount rate assumption and accrued service and interest costs were only partly offset by a positive actual return on plan assets and employer contributions.

C.2 Portfolio activities

In the third quarter of fiscal 2014, Siemens announced the acquisition of the Rolls-Royce Energy aero-derivative gas turbine and compressor business of Rolls-Royce plc, U.K. (Rolls-Royce). With the acquisition, Siemens intends to strengthen its position in the growing oil and gas industry as well as in the field of decentralized power generation. The purchase price amounts to £785 million (€980 million as of June 30, 2014). In addition, as part of the transaction, Siemens will pay Rolls-Royce £200 million (€250 million as of June 30, 2014) for a 25 year technology licensing agreement granting exclusive access to future Rolls-Royce aero-turbine technology developments in the four to 85 megawatt power output range as well as preferred access to supply and engineering services of Rolls-Royce. The transaction is subject to approval by regulatory authorities. Closing is expected in the first quarter of fiscal 2015.

Also in the third quarter of fiscal 2014, Siemens signed an agreement to contribute nearly all of its metallurgical solutions business, formerly included in the Industry Sector, into a joint venture with Mitsubishi-Hitachi Metals Machinery Inc., a company majority owned by Mitsubishi Heavy Industries, Ltd. As a result of this transaction Siemens will lose control over its Metals Technologies business upon closing. Siemens will hold an equity interest of 49% which will be accounted for using the equity method. The transaction is subject to approval by the regulatory authorities. Closing is expected in the first quarter of fiscal 2015. Certain projects were classified as Centrally managed portfolio activities. Prior-period results are presented on a comparable basis.

For further information on portfolio activities, see → NOTE 2 in → D.6 NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS.

C.3 Results of operations

C.3.1 Siemens Group

C.3.1.1 ORDERS AND REVENUE

While macroeconomic conditions in the first nine months of fiscal 2014 were generally more favorable for Siemens' businesses compared to a year earlier, currency translation effects held back reported orders and revenue. In addition, the prior-year period included a higher volume from large orders, particularly in Infrastructure & Cities. As a result, both orders and revenue came in 3% lower year-over-year. The euro remained strong against nearly all major currencies compared to a year earlier, which took four percentage points from both order and revenue development.

The book-to-bill ratio for Siemens overall was 1.12 for the first nine months, and the order backlog (defined as the sum of the order backlogs of the Sectors) at the end of the period was €101 billion.

Orders related to external customers decreased 3% compared to the prior-year period, as a substantially lower volume from large orders in Infrastructure & Cities more than offset growth in Energy and Industry. Held back by negative currency translation effects, orders in Healthcare came in below their prior-year level.

In the region comprising **Europe, C.I.S., Africa, and the Middle East**, nine-month orders came in €3.3 billion below the prior-year level. The decline is due mainly to a higher volume of large orders in the prior-year period, particularly including a €3.0 billion order for trains and maintenance in the U.K. Double-digit order growth in **Asia, Australia** was due in part to a higher volume from large orders in Energy. In addition, China contributed to the regional development with a sharp increase in Infrastructure & Cities and solid order growth in Industry. Orders rose in the **Americas** due largely to a robust recovery in the U.S. wind business compared to a year earlier, when uncertainty about continuation of production tax incentives led to a sharp drop in order intake. Emerging markets grew faster than orders overall, at 6%, and increased to €21.132 billion, representing 36% of total orders for the current period. Organic orders in emerging markets rose 13% year-over-year.

Orders (location of customer)

	Nine months ended June 30,		% Change		therein	
(in millions of €)	2014	2013	Actual	Adjusted[1]	Currency	Portfolio
Europe, C.I.S.,[2] Africa, Middle East	31,347	34,650	(10)%	(8)%	(2)%	1%
therein Germany	*8,218*	*9,179*	*(10)%*	*(10)%*	*0%*	*0%*
Americas	15,287	14,919	2%	9%	(8)%	1%
therein U.S.	*10,744*	*9,762*	*10%*	*13%*	*(5)%*	*2%*
Asia, Australia	11,529	10,500	10%	16%	(6)%	0%
therein China	*5,105*	*4,516*	*13%*	*16%*	*(3)%*	*0%*
Siemens	**58,163**	**60,069**	**(3)%**	**0%**	**(4)%**	**1%**

1 Excluding currency translation and portfolio effects. 2 Commonwealth of Independent States.

Revenue (location of customer)

	Nine months ended June 30,		% Change		therein	
(in millions of €)	2014	2013	Actual	Adjusted[1]	Currency	Portfolio
Europe, C.I.S.,[2] Africa, Middle East	28,018	28,443	(1)%	0%	(2)%	1%
therein Germany	*7,744*	*7,777*	*0%*	*0%*	*0%*	*0%*
Americas	13,921	14,917	(7)%	(1)%	(7)%	1%
therein U.S.	*9,792*	*10,329*	*(5)%*	*(2)%*	*(4)%*	*1%*
Asia, Australia	10,055	10,253	(2)%	4%	(7)%	1%
therein China	*4,516*	*4,062*	*11%*	*14%*	*(3)%*	*0%*
Siemens	**51,993**	**53,613**	**(3)%**	**0%**	**(4)%**	**1%**

1 Excluding currency translation and portfolio effects. 2 Commonwealth of Independent States.

Revenue related to external customers declined 3% compared to the same period a year earlier. Infrastructure & Cities posted clear revenue growth year-over-year, due to the continuing execution of large rolling-stock projects and its acquisition of Invensys Rail between the periods under review. The other Sectors reported declines compared to the first nine months a year earlier, including negative currency translation effects as mentioned above. On a comparable basis, nine-month revenue came in higher year-over-year for Industry and Healthcare.

Geographically, all three **reporting regions** showed declines in revenue development that included currency translation headwinds as mentioned above, particularly in the Americas and Asia, Australia. Double-digit revenue growth in China resulted from a sharp increase in Infrastructure & Cities and a solid contribution from Industry. Emerging markets reported a 3% decline year-over-year and accounted for €17.111 billion, or 33%, of total revenue for the period. Organic nine-month revenue growth in emerging markets was 4% year-over-year.

C.3.1.2 CONSOLIDATED STATEMENTS OF INCOME

	Nine months ended June 30,		% Change
(in millions of €)	2014	2013	
Gross profit	15,266	15,008	2%
as percentage of revenue	*29.4%*	*28.0%*	–
Research and development expenses	(3,053)	(3,063)	0%
as percentage of revenue	*5.9%*	*5.7%*	–
Selling and general administrative expenses	(7,638)	(8,020)	5%
as percentage of revenue	*14.7%*	*15.0%*	–
Other operating income	595	272	119%
Other operating expenses	(348)	(245)	(42)%
Income from investments accounted for using the equity method, net	425	351	21%
Interest income	781	709	10%
Interest expenses	(569)	(574)	1%
Other financial income (expenses), net	(51)	(103)	50%
Income from continuing operations before income taxes	**5,407**	**4,336**	**25%**
Income tax expenses	(1,498)	(1,244)	(20)%
as percentage of income from continuing operations before income taxes	*28%*	*29%*	–
Income from continuing operations	**3,909**	**3,092**	**26%**
Income from discontinued operations, net of income taxes	**100**	**249**	**(60)%**
Net income	**4,009**	**3,341**	**20%**
Net income attributable to non-controlling interests	82	64	–
Net income attributable to shareholders of Siemens AG	3,927	3,277	20%

Income from continuing operations before income taxes for the first nine months of fiscal 2014 increased to €5.407 billion from €4.336 billion in the first nine months of fiscal 2013.

Gross profit was slightly higher than in the first nine months of fiscal 2013. As explained in → C.3.1.1 ORDERS AND REVENUE, revenue declined year-over-year due mainly to the appreciation of the euro against nearly all other major currencies between the periods under review. This had an adverse effect on gross profit, which was partially offset by lower project charges compared to the prior-year period as explained in → C.3.2 SEGMENT INFORMATION. For comparison, the first nine months of fiscal 2013 included charges for the "Siemens 2014" program in all Sectors totaling €570 million, which were recorded mainly in cost of sales and accordingly burdened gross profit.

Selling and general administrative expenses were lower year-over-year on declines in all Sectors. The prior-year amount included a portion of the "Siemens 2014" charges mentioned above.

Other operating income more than doubled year-over-year, due mainly to substantially higher gains from disposals of real estate at Siemens Real Estate (SRE) and a gain from the disposal of Power Generation's turbo fan business. Other operating expenses were higher year-over-year due mainly to higher expenses related to legal and regulatory matters.

Income from investments accounted for using the equity method, net was substantially higher than in the prior-year period. Beginning with the second quarter of fiscal 2014, we started to report results related to our stake in BSH Bosch und Siemens Hausgeräte GmbH (BSH) in phase with results of the Siemens Group, rather than with the lag of one quarter. Due to the one-time catch-up effect associated with this change, profit for the first nine months of fiscal 2014 therefore includes results related to BSH for four quarters rather than the usual three. In addition, the loss related to our share in Enterprise Networks Holding B.V. was substantially lower than in the prior-year period. For comparison, the prior-year period included positive net results of €225 million related to our former stake in Nokia Siemens Networks B.V., which was divested between the periods under review, and impairments in the solar business in the Energy Sector.

Including the developments described above, Income from continuing operations before income taxes increased 25% year-over-year. With a lower effective tax rate compared to the first nine months of fiscal 2013, **Income from continuing operations** increased 26% year-over-year.

Income from discontinued operations, net of income taxes in the first nine months of fiscal 2014 was €100 million compared to €249 million in the same period a year earlier. While Income from discontinued operations in the current period benefited from a positive €65 million tax effect related to former Communications activities, the prior-year period included Income from discontinued operations of €178 million related to OSRAM, which was spun off in the fourth quarter of fiscal 2013.

As a result of the changes in both Income from continuing operations and Income from discontinued operations, **Net income** and Net income attributable to shareholders were 20% higher than in the same period a year earlier.

Corresponding **basic EPS** rose 20% to €4.65 compared to €3.88 in the prior-year period, primarily reflecting higher Net income attributable to shareholders of Siemens AG.

C.3.2 Segment information

C.3.2.1 ENERGY

Sector

(in millions of €)	Nine months ended June 30, 2014	2013	% Change Actual	Adjusted[1]	therein Currency	Portfolio
Profit	1,166	1,392	(16)%			
Profit margin	6.7%	7.2%				
Orders	21,550	21,188	2%	7%	(4)%	(1)%
Revenue	17,493	19,201	(9)%	(4)%	(4)%	(1)%

1 Excluding currency translation and portfolio effects.

Energy Sector profit of €1.166 billion in the first nine months of fiscal 2014 was down significantly compared to the same period a year earlier, due to continuing profitability challenges including a revenue decline and a less favorable business mix. For comparison, nine-month profit a year ago was burdened by a loss of €225 million at Siemens' solar activities and €149 million in charges for the "Siemens 2014" program. In addition, both the current and prior reporting periods included impacts mentioned below in the Sector's Divisions. The Power Generation Division increased its nine-month profit year-over-year, benefiting from a gain on the sale of the Division's turbo fan business and a positive effect from a successful project completion. Profit at Wind Power fell, due in part to a lower contribution from its offshore wind-farm business. Power Transmission posted a sharply higher loss due to a number of continuing profitability challenges. In the current period, the Division took charges totaling €297 million related to two HVDC transmission line projects in Canada. Both periods included charges primarily related to grid connections to offshore wind-farms, amounting to €218 million in the current nine months and €134 million in the same period a year earlier.

Nine-month revenue for the Sector came in 9% lower than a year ago on decreases in all three reporting regions, reflecting weak order development at Power Generation and selective order intake at Power Transmission in prior years. Power Generation and Power Transmission posted revenue declines compared to the prior-year nine-month period, while Wind Power clearly increased its revenue. Orders for the Sector came in 2% higher than in the prior-year period. Negative currency translation effects took four percentage points from both revenue and order development during the period. The book-to-bill ratio for Energy was 1.23, and its order backlog was €57 billion at the end of the period.

Profit at **Power Generation** for the first nine months of fiscal 2014 increased moderately year-over-year to €1.666 billion, despite an 11% revenue decline and a less favorable revenue mix. The current period benefited from a €73 million gain on the sale of the Division's turbo fan business. In addition, positive results from project execution and project completions, including a €72 million effect from a successful project completion in the turnkey business, more than offset project charges, particularly in Argentina and Finland. For comparison, profit development in the first nine months a year earlier was held back by €92 million in "Siemens 2014" charges and €46 million in charges related to compliance with sanctions on Iran. Nine-month revenue for the Division decreased 11% year-over-year on declines in all three reporting regions, due to a number of factors including negative currency translation effects and ongoing challenges in gas turbine markets. Order intake was below the level of the prior-year period, including strong negative currency translation effects. On an organic basis, order intake was up 4% year-over-year.

Profit at **Wind Power** for the first nine months of fiscal 2014 fell to €50 million. An unfavorable business mix included an unusually low contribution from the higher-margin offshore business. This was due to production costs that were higher than average compared to the prior-year nine-month period. In addition, the Division recorded charges of €48 million for inspecting and replacing defective main bearings in onshore wind turbines. In the prior period, profit was burdened by €91 million in charges related to inspecting and retrofitting onshore turbine blades, but benefited from positive effects related to project completions and the settlement of a claim related to an offshore wind-farm project. Revenue was up 9% as an increase in the onshore business, particularly in the Americas, more than offset a decline in the offshore business. Nine-

Orders by Business

(in millions of €)	Nine months ended June 30, 2014	2013	% Change Actual	Adjusted[1]	therein Currency	Portfolio
Power Generation	11,485	11,780	(3)%	4%	(5)%	(1)%
Wind Power	5,943	5,083	17%	20%	(3)%	0%
Power Transmission	4,265	4,168	2%	7%	(5)%	0%

1 Excluding currency translation and portfolio effects.

Revenue by Business

(in millions of €)	Nine months ended June 30, 2014	2013	% Change Actual	Adjusted[1]	therein Currency	Portfolio
Power Generation	9,919	11,163	(11)%	(6)%	(4)%	(1)%
Wind Power	3,881	3,555	9%	13%	(4)%	0%
Power Transmission	3,759	4,418	(15)%	(10)%	(5)%	0%

1 Excluding currency translation and portfolio effects.

Profit and Profit margin by Business

	Profit			Profit margin	
(in millions of €)	Nine months ended June 30, 2014	2013	% Change	Nine months ended June 30, 2014	2013
Power Generation	1,666	1,588	5%	16.8%	14.2%
Wind Power	50	126	(60)%	1.3%	3.6%
Power Transmission	(569)	(114)	>(200)%	(15.1)%	(2.6)%

month order intake was up significantly year-over-year as order intake in the Americas region more than doubled, including a recovery in the U.S., the Division's largest national market for onshore wind power, from a low basis of comparison in the prior year that resulted from uncertainty about continuation of production tax incentives.

Power Transmission continues to face profitability challenges and reported a nine-month loss of €569 million, substantially wider than the loss in the same period a year earlier. In the current period, the Division took charges totaling €297 million related to the two HVDC transmission line projects in Canada mentioned above, resulting from revised estimates for civil engineering and infrastructure provided by suppliers as well as penalties for associated project delays, among other factors. In addition, the Division took charges of €218 million primarily related to grid connections to offshore wind-farms resulting from transport, installation and commissioning costs, compared to charges of €134 million in the prior year nine-month period. Finally, profit development in the current period was also held back by a high proportion of projects with low or negligible profit margins. In the prior year, the Division recorded €51 million in charges for the "Siemens 2014" program. Revenue was down 15% on decreases in all reporting regions, due mainly to selective order intake in prior periods primarily in the solutions business. Order intake was up 2% year-over-year, held back by strong negative currency translation effects. The Division expects continuing challenges in coming quarters.

C.3.2.2 HEALTHCARE

Sector

(in millions of €)	Nine months ended June 30, 2014	2013	% Change Actual	Adjusted[1]	therein Currency	Portfolio
Profit	1,438	1,447	(1)%			
Profit margin	15.1%	14.6%				
Orders	9,594	9,890	(3)%	2%	(5)%	0%
Revenue	9,542	9,897	(4)%	2%	(5)%	0%

1 Excluding currency translation and portfolio effects.

Healthcare reported profit of €1.438 billion for the first nine months of fiscal 2014, down slightly year-over-year. The decrease includes burdens on profit from currency effects based on the strength of the euro compared to fiscal 2013. These unfavorable effects were strongest at the Sector's imaging and therapy systems businesses, more than offsetting a €66 million positive effect related to the expected sale of a particle therapy installation. For comparison, Sector profit in the prior-year period was burdened by a €36 million impairment of an investment at Diagnostics in Italy and €35 million in charges associated with the Sector's "Agenda 2013" initiative.

Diagnostics contributed €306 million to Sector profit, up significantly from €268 million in the prior-year period which included the €36 million profit burden mentioned above for the Sector as well as €13 million of the "Agenda 2013" charges. Purchase price allocation (PPA) effects related to past acquisitions at Diagnostics were €122 million in the first nine months. A year earlier, Diagnostics recorded €128 million in PPA effects.

While Healthcare reported moderate declines in revenue and orders compared to the first nine months a year ago, these results included negative currency translation effects which affected most of the Sector's businesses and also reduced reported revenue and orders in Asia, Australia and the Americas. On a comparable basis, revenue and orders for Healthcare rose 2% compared to the prior-year period. The book-to-bill ratio was 1.01, and the Sector's order backlog was €7 billion at the end of the first nine months.

The Diagnostics business reported revenue of €2.798 billion in the first nine months of fiscal 2014, a 4% decrease from €2.916 billion a year earlier driven by a clear decline in the Americas due primarily to headwinds from currency translation as mentioned above. On a comparable basis, Diagnostics revenue was up 1% compared to the prior-year period.

C.3.2.3 INDUSTRY

Sector

(in millions of €)	Nine months ended June 30, 2014	2013	% Change Actual	Adjusted[1]	therein Currency	Portfolio
Profit	1,554	1,198	30%			
Profit margin	12.7%	9.8%				
Orders	12,963	12,290	5%	9%	(4)%	0%
Revenue	12,259	12,246	0%	3%	(4)%	0%

1 Excluding currency translation and portfolio effects.

Industry reported a profit of €1.554 billion in the first nine months of fiscal 2014, up from €1.198 billion in the prior-year period which included €175 million in charges related to the "Siemens 2014" productivity improvement program. The Sector's profit performance reflects improvement in its short-cycle businesses within the current nine-month period. An improved product mix lifted profit margins at both Divisions within Industry compared to the prior-year period.

Nine-month revenue remained stable year-over-year, despite currency translation headwinds. Order growth of 5% year-over-year was supported by increased demand in the short-cycle businesses and a higher volume from large orders in the Sector's long-cycle businesses compared to the prior-year period.

On a geographic basis, order and revenue development was supported largely by growth in Asia, Australia, driven by China. Additional order growth came from Europe, C.I.S., Africa, Middle East, while revenue was flat in this region. Reported orders and revenue in the Americas region were lower compared to the prior-year period, as negative currency translation effects held back volume development. The Sector's book-to-bill ratio was 1.06 and its order backlog was €8 billion at the end of the period.

Orders by Business

(in millions of €)	Nine months ended June 30, 2014	2013	% Change Actual	Adjusted[1]	therein Currency	Portfolio
Industry Automation	6,298	6,053	4%	7%	(4)%	1%
Drive Technologies	7,036	6,614	6%	10%	(3)%	0%

1 Excluding currency translation and portfolio effects.

Revenue by Business

(in millions of €)	Nine months ended June 30, 2014	2013	% Change Actual	Adjusted[1]	therein Currency	Portfolio
Industry Automation	6,061	5,994	1%	4%	(4)%	1%
Drive Technologies	6,564	6,634	(1)%	3%	(3)%	0%

1 Excluding currency translation and portfolio effects.

Profit and Profit margin by Business

(in millions of €)	Profit: Nine months ended June 30, 2014	2013	% Change	Profit margin: Nine months ended June 30, 2014	2013
Industry Automation	987	748	32%	16.3%	12.5%
Drive Technologies	560	443	26%	8.5%	6.7%

Nine-month profit for **Industry Automation** rose to €987 million on higher results in all businesses, up from €748 million in the prior-year period which included €72 million in "Siemens 2014" charges. Profit development included a more favorable product mix and lower acquisition-related effects. In particular, PPA effects related to the acquisition of UGS Corp. in fiscal 2007 were €86 million in the current period compared to €111 million in the first nine months a year earlier. In addition, the Division recorded PPA effects of €33 million related to LMS International NV (LMS), acquired in the second quarter of fiscal 2013. For comparison, PPA effects related to LMS in the prior-year period were €22 million, while deferred revenue adjustments and inventory step-ups totaled €28 million.

Revenue for Industry Automation came in 1% higher year-over-year, mainly on a double-digit increase in Asia, Australia, led by China. Nine-month orders rose 4% compared to the prior-year period, on double-digit growth in Asia, Australia, including a substantial increase in China, and slightly higher orders in the region comprising Europe, C.I.S., Africa, Middle East. Reported orders and revenue both showed declines in the Americas region, held back by unfavorable currency translation effects.

Profit at **Drive Technologies** increased to €560 million in the first nine months of fiscal 2014 on contributions from most of its businesses. Profit development included an improved cost position resulting from the successful implementation of the "Siemens 2014" program. For comparison, profit in the same period a year earlier was burdened by €96 million in "Siemens 2014" charges. Due to unfavorable currency translation effects, reported revenue came in slightly below the prior-year level, on declines in the Americas and Asia, Australia. Orders for the Division increased 6% year-over-year, driven mainly by a higher volume of large internal orders from Siemens' rail business.

C.3.2.4 INFRASTRUCTURE & CITIES

Sector

	Nine months ended June 30,		% Change		therein	
(in millions of €)	2014	2013	Actual	Adjusted[1]	Currency	Portfolio
Profit	1,005	124	>200%			
Profit margin	7.4%	1.0%				
Orders	15,139	17,078	(11)%	(11)%	(3)%	3%
Revenue	13,498	12,658	7%	6%	(4)%	4%

1 Excluding currency translation and portfolio effects.

In the first nine months of fiscal 2014, profit in **Infrastructure & Cities** rose to €1.005 billion, with all Businesses contributing to the increase. Profit of €124 million in the same period a year earlier was impacted by project charges, including €260 million in charges related to high-speed trains. Prior-year profit was also burdened by €212 million in "Siemens 2014" charges, while profit in the current period benefited from a positive €54 million net effect due to the release of accruals related to the program. Transportation & Logistics recorded the largest portion of the Sector's effects related to the "Siemens 2014" program in both periods under review. This Business made the largest contribution to the Sector's profit improvement year-over-year, combining substantially higher revenue with solid execution of large rolling stock projects. Sector profit also rose on productivity improvements related to the execution of the "Siemens 2014" program, which were most evident at the Building Technologies Division. In addition, profit development at Building Technologies and Power Grid Solutions & Products included a more favorable business mix year-over-year.

Revenue for the Sector was up 7% year-over-year driven by a double-digit increase at Transportation & Logistics, including execution of large rolling-stock projects and the acquisition of Invensys Rail, which closed during the third quarter of fiscal 2013. Orders for the Sector came in 11% lower year-over-year, due mainly to a lower volume from large orders year-over-year. Such orders included a contract worth €1.6 billion for two driverless subway lines in Saudi Arabia for Transportation & Logistics and Power Grid Solutions & Products in the current nine months, while the prior-year period included among others

Orders by Business

(in millions of €)	Nine months ended June 30, 2014	2013	% Change Actual	Adjusted[1]	therein Currency	Portfolio
Transportation & Logistics	6,425	8,289	(22)%	(27)%	(2)%	6%
Power Grid Solutions & Products	4,890	4,753	3%	9%	(6)%	0%
Building Technologies	4,023	4,245	(5)%	(2)%	(3)%	0%

1 Excluding currency translation and portfolio effects.

Revenue by Business

(in millions of €)	Nine months ended June 30, 2014	2013	% Change Actual	Adjusted[1]	therein Currency	Portfolio
Transportation & Logistics	5,420	4,333	25%	16%	(3)%	12%
Power Grid Solutions & Products	4,225	4,369	(3)%	3%	(6)%	0%
Building Technologies	4,025	4,158	(3)%	0%	(3)%	0%

1 Excluding currency translation and portfolio effects.

Profit and Profit margin by Business

(in millions of €)	Profit: Nine months ended June 30, 2014	2013	% Change	Profit margin: Nine months ended June 30, 2014	2013
Transportation & Logistics	331	(370)	n/a	6.1%	(8.5)%
Power Grid Solutions & Products	361	300	20%	8.5%	6.9%
Building Technologies	309	183	69%	7.7%	4.4%

a contract worth €3.0 billion for trains and maintenance in the U.K. On a geographic basis, revenue growth was driven by the Europe, C.I.S., Africa, Middle East and the Asia, Australia regions, while revenue declined in the Americas year-over-year. Double-digit increases in orders in the Americas and Asia, Australia were more than offset by lower order intake in Europe, C.I.S., Africa, Middle East due to the lower volume from large orders mentioned above. The Sector's book-to-bill ratio was 1.12 and its order backlog at the end of the first nine months of fiscal 2014 was €30 billion.

Transportation & Logistics contributed a profit of €331 million in the first nine months of fiscal 2014, compared to a loss of €370 million a year earlier. Profit development in the current period was driven by higher revenue and solid project execution. Profit in the first nine months of fiscal 2014 also benefited from a €45 million net effect from the release of accruals related to "Siemens 2014" and a €27 million positive profit effect stemming from a change in risk assessment for a rail project. For comparison, the loss in the same period a year earlier was due mainly to project charges, including the €260 million in charges related to high-speed trains mentioned above. The prior-year period was impacted also by €118 million in "Siemens 2014" charges. Revenue at Transportation & Logistics grew by 25% year-over-year, as the Business continues to execute a number of large rolling-stock orders. Orders came in 22% lower year-over-year. While both periods included a number of major orders, including the Business's share of the above-mentioned €1.6 billion order from Saudi Arabia in the current period and the €3.0 billion order from the U.K. in the prior-year period, the volume from those orders was higher in the prior-year period. Revenue and order development in the current period benefited from the acquisition of Invensys Rail, which closed during the third quarter of fiscal 2013.

Profit at **Power Grid Solutions & Products** rose to €361 million from €300 million a year earlier. The improvement year-over-year was supported by higher productivity from execution of the "Siemens 2014" program and a more favorable business mix between the periods under review. For comparison, profit a year earlier was impacted by €23 million in "Siemens 2014" charges. Revenue was down 3% while order growth of 3% year over-year included a share in the Saudi Arabia order mentioned above. Revenue and order development was strongly affected by negative currency translation effects. On a comparable basis, revenue was up 3% and orders rose 9% year-over-year.

Nine-month profit at **Building Technologies** increased to €309 million, up from €183 million a year earlier. Major factors in the increase were productivity improvements from successful implementation of the "Siemens 2014" program and a more favorable business mix year-over-year related to the Division's higher-margin product and service business. In the prior-year period, profit was burdened by €71 million in charges related to "Siemens 2014." The Division's reported declines in revenue and orders, of 3% and 5% year-over-year, respectively, were due mainly to the Americas region and included negative currency translation effects.

C.3.2.5 EQUITY INVESTMENTS

In the first nine months of fiscal 2014, **Equity Investments** generated €263 million in profit. Beginning with the second quarter of fiscal 2014, we started to report results related to our stake in BSH in phase with results of Siemens, rather than with the lag of one quarter. Due to the one-time catch-up effect associated with this change, profit for the first nine months of fiscal 2014 therefore includes results related to BSH for four quarters rather than the usual three. In the first nine months a year earlier, profit of €302 million included a positive net equity investment result of €225 million related to Siemens' stake in Nokia Siemens Networks B.V. (NSN), which was sold between the periods under review. The positive net result related to NSN was partly offset by a loss of €93 million related to Siemens' stake in Enterprise Networks Holdings B.V. (EN). This prior-year loss was due largely to additions to Siemens' net investment in EN, which resulted in the recognition of previously unrecognized losses. After the close of the current nine-months period, EN was renamed Unify Holdings B.V.

C.3.2.6 FINANCIAL SERVICES (SFS)

	Nine months ended June 30,		% Change
(in millions of €)	2014	2013	
Income before income taxes	345	303	14%
	June 30, 2014	Sep. 30, 2013	
Total assets	20,144	18,661	8%

SFS delivered €345 million profit in the first nine months of fiscal 2014. For comparison, profit of €303 million in the prior-year period was burdened primarily by a €47 million impairment of an equity stake in a power plant project in the U.S. SFS continued to execute its growth strategy during the current period. Despite substantial early terminations of financings, total assets increased clearly to €20.144 billion at the end of the first nine months of fiscal 2014, compared to €18.661 billion at the end of fiscal 2013.

C.3.2.7 RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS

Reconciliation to Consolidated Financial Statements includes Centrally managed portfolio activities, Siemens Real Estate and various categories of items which are not allocated to the Sectors and to SFS because Management has determined that such items are not indicative of the operating performance of the Sectors and SFS.

Centrally managed portfolio activities

Centrally managed portfolio activities reported a loss of €28 million in the first nine months of fiscal 2014, compared to a loss of €14 million in the same period a year earlier. During the third quarter of fiscal 2014, certain projects of the Metals Technologies business, formerly reported within Industry, were classified as Centrally managed portfolio activities. Prior-period results are presented on a comparable basis.

Siemens Real Estate (SRE)

Income before income taxes at **SRE** was €215 million in the first nine months of fiscal 2014, compared to €55 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.

Corporate items and pensions

Corporate items and pensions reported a loss of €498 million in the first nine months of fiscal 2014, compared to a loss of €440 million in the same period a year earlier. Within these figures, the loss at Corporate items was €202 million, compared to a loss of €124 million in the prior-year period. Results for the first nine months of fiscal 2014 included negative effects related to legal and regulatory matters. Centrally carried pension expense totaled €297 million in the first nine months of fiscal 2014, compared to €316 million in the same period a year earlier.

Eliminations, Corporate Treasury and other reconciling items

Income before income taxes from **Eliminations, Corporate Treasury and other reconciling items** was a negative €52 million in the first nine months of fiscal 2014 compared to a negative €31 million in the same period a year earlier. The wider loss year-over-year was due in part to a negative change in the fair value of derivatives.

C.3.3 Reconciliation to adjusted EBITDA

The following table gives additional information on topics included in Profit and Income before income taxes and provides a reconciliation to adjusted EBITDA based on continuing operations.

For the nine months ended June 30, 2014 and 2013

	Profit[1]		Income (loss) from investments accounted for using the equity method, net[2]	
(in millions of €)	2014	2013	2014	2013
Sectors				
Energy Sector	**1,166**	**1,392**	**64**	**(42)**
therein: Power Generation	1,666	1,588	27	25
Wind Power	50	126	4	(10)
Power Transmission	(569)	(114)	21	16
Healthcare Sector	**1,438**	**1,447**	**4**	**5**
therein: Diagnostics	306	268	–	–
Industry Sector	**1,554**	**1,198**	**1**	**(5)**
therein: Industry Automation	987	748	–	–
Drive Technologies	560	443	1	(5)
Infrastructure & Cities Sector	**1,005**	**124**	**22**	**23**
therein: Transportation & Logistics	331	(370)	12	17
Power Grid Solutions & Products	361	300	7	6
Building Technologies	309	183	2	–
Total Sectors	**5,162**	**4,161**	**91**	**(19)**
Equity Investments	**263**	**302**	**236**	**264**
Financial Services (SFS)	**345**	**303**	**49**	**67**
Reconciliation to Consolidated Financial Statements				
Centrally managed portfolio activities	(28)	(14)	49	42
Siemens Real Estate (SRE)	215	55	–	–
Corporate items and pensions	(498)	(440)	(1)	–
Eliminations, Corporate Treasury and other reconciling items	(52)	(31)	–	(4)
Siemens	**5,407**	**4,336**	**425**	**351**

1 Profit of the Sectors as well as of Equity Investments and Centrally managed portfolio activities is earnings before financing interest, certain pension costs and income taxes. Certain other items not considered performance indicative by Management may be excluded. Profit of SFS and SRE is Income before income taxes. Profit of Siemens is Income from continuing operations before income taxes. For a reconciliation of Income from continuing operations before income taxes to Net income see → D.1 CONSOLIDATED STATEMENTS OF INCOME.

2 Includes impairments and reversals of impairments of investments accounted for using the equity method.

3 Includes impairment of non-current available-for-sale financial assets. For Siemens, Financial income (expenses), net comprises Interest income, Interest expenses and Other financial income (expenses), net as reported in the Consolidated Statements of Income.

Financial income (expenses), net[3]		Adjusted EBIT[4]		Amortization[5]		Depreciation and impairments of property, plant and equipment and goodwill[6]		Adjusted EBITDA		Adjusted EBITDA margin	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
(28)	(19)	**1,130**	1,453	**77**	85	**296**	325	**1,502**	1,863	**8.6%**	9.7%
(15)	(12)	1,654	1,575	43	51	149	162	1,846	1,788		
(9)	(4)	56	140	24	24	80	72	160	237		
(6)	(7)	(584)	(123)	10	10	65	75	(509)	(38)		
21	(30)	**1,412**	1,471	**212**	238	**240**	241	**1,865**	1,950	**19.5%**	19.7%
22	(28)	284	296	139	148	152	160	574	604		
4	(13)	**1,549**	1,217	**198**	219	**217**	237	**1,963**	1,673	**16.0%**	13.7%
6	(3)	981	751	163	176	85	87	1,230	1,014		
(1)	(10)	560	458	34	43	131	150	725	651		
(12)	(10)	**995**	112	**93**	94	**122**	123	**1,210**	328	**9.0%**	2.6%
(9)	(5)	328	(381)	48	23	40	34	416	(324)		
(2)	(5)	356	298	15	27	50	53	421	378		
(1)	–	308	183	29	44	30	34	367	261		
(15)	(73)	**5,086**	4,252	**580**	635	**875**	925	**6,540**	5,813		
25	22	**1**	15	**–**	–	**–**	–	**1**	15		
410	289	**(115)**	(53)	**3**	4	**143**	173	**31**	124		
(1)	(1)	(76)	(55)	1	2	1	1	(74)	(52)		
(78)	(83)	293	138	1	1	186	209	480	348		
(217)	(153)	(280)	(288)	14	13	42	59	(224)	(215)		
36	30	(87)	(58)	–	–	(22)	(26)	(110)	(84)		
160	33	**4,822**	3,952	**599**	655	**1,224**	1,342	**6,644**	5,949		

4 Adjusted EBIT is Income from continuing operations before income taxes less Financial income (expenses), net and Income (loss) from investments accounted for using the equity method, net.

5 Amortization and impairments, net of reversals, of intangible assets other than goodwill.

6 Depreciation and impairments of property, plant and equipment, net of reversals. Includes impairments of goodwill of €4 million and €– million for the nine months ended June 30, 2014 and 2013, respectively.

C.4 Financial position

C.4.1 Capital structure

As of June 30, 2014 and September 30, 2013 the capital structure ratios were as follows:

(in millions of €)	June 30, 2014	Sep. 30, 2013
Short-term debt and current maturities of long-term debt[1]	4,092	1,944
Plus: Long-term debt[1]	18,364	18,509
Less: Cash and cash equivalents	(8,210)	(9,190)
Less: Current available-for-sale financial assets	(907)	(601)
Net debt	**13,338**	**10,663**
Less: SFS Debt[2]	(17,017)	(15,600)
Plus: Post-employment benefits[3]	10,473	9,265
Plus: Credit guarantees	865	622
Less: 50% nominal amount hybrid bond[4]	(918)	(899)
Less: Fair value hedge accounting adjustment[5]	(1,114)	(1,247)
Adjusted industrial net debt	**5,628**	**2,805**
Adjusted EBITDA (continuing operations)	**6,644**	**8,171**
Adjusted industrial net debt/adjusted EBITDA (continuing operations)[6]	**0.64**	**0.34**

1 The item Short-term debt and current maturities of long-term debt as well as the item Long-term debt included in total fair value hedge accounting adjustments of €1,114 million as of June 30, 2014 and €1,247 million as of September 30, 2013.

2 The adjustment considers that both Moody's and S&P view SFS as a captive finance company. These rating agencies generally recognize and accept higher levels of debt attributable to captive finance subsidiaries in determining credit ratings. Following this concept, we exclude SFS Debt in order to derive an adjusted industrial net debt which is not affected by SFS's financing activities.

3 To reflect Siemens' total pension liability, adjusted industrial net debt includes line item Post-employment benefits as presented in → D.3 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.

4 The adjustment for our hybrid bond considers the calculation of this financial ratio applied by rating agencies to classify 50% of our hybrid bond as equity and 50% as debt. This assignment reflects the characteristics of our hybrid bond such as a long maturity date and subordination to all senior and debt obligations.

5 Debt is generally reported with a value representing approximately the amount to be repaid. However, for debt designated in a hedging relationship (fair value hedges), this amount is adjusted by changes in market value mainly due to changes in interest rates. Accordingly we deduct these changes in market value in order to end up with an amount of debt that approximately will be repaid. We believe this is a more meaningful figure for the calculation presented above. For further information on fair value hedges see → NOTE 31 in ↗ D.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS IN OUR ANNUAL REPORT FOR FISCAL 2013.

6 In order to calculate this ratio, adjusted EBITDA (continuing operations) for the current period needs to be annualized.

C.4.2 Cash flows

The following discussion presents an analysis of our cash flows from operating, investing and financing activities for the first nine months of fiscal 2014 and 2013 for both continuing and discontinued operations.

Cash flows

(in millions of €)	Continuing operations Nine months ended June 30, 2014	2013	Discontinued operations Nine months ended June 30, 2014	2013	Continuing and discontinued operations Nine months ended June 30, 2014	2013
Cash flows from:						
Operating activities	**3,183**	2,150	**(243)**	96	**2,941**	2,246
Investing activities	**(2,982)**	(4,765)	**405**	(233)	**(2,577)**	(4,998)
therein: Additions to intangible assets and property, plant and equipment	*(1,176)*	*(1,112)*	*(13)*	*(142)*	*(1,189)*	*(1,253)*
Free cash flow	**2,007**	1,038	**(256)**	(46)	**1,751**	992
Financing activities	**(1,309)**	(1,798)	**(2)**	14	**(1,311)**	(1,784)

Cash flows from operating activities – Continuing operations provided cash of €3.183 billion in the first nine months of fiscal 2014, an improved cash inflow compared to €2.150 billion in the same period a year earlier. In both periods, the major component of cash inflows was income from continuing operations, which increased to €3.909 billion in the first nine months of fiscal 2014 from €3.092 billion in the prior-year period. Included therein were amortization, depreciation and impairments of €1.823 billion in the current period and €1.997 billion in the prior-year period. A build-up of operating net working capital led to cash outflows of €1.4 billion in the current period compared to outflows of €3.4 billion in the same period a year earlier. In the current period the build-up of operating net working capital related primarily to project businesses in Energy and Infrastructure & Cities, which recorded a significant build-up of inventories and trade and other receivables. The current period included cash outflows of approximately €0.4 billion corresponding to charges to income taken for the "Siemens 2014" program, compared to €0.2 billion in such outflows in the prior-year period.

Discontinued operations used cash of €243 million in the first nine months of fiscal 2014, compared to cash provided of €96 million in the prior-year period, which included significant cash inflows at OSRAM.

Cash flows from investing activities – Cash used in investing activities for continuing operations amounted to €2.982 billion in the first nine months of fiscal 2014, compared to cash used of €4.765 billion in the prior-year period. In the current period, cash outflows from investing activities were due mainly to two factors. Firstly, we recorded cash outflows totaling €1.682 billion for an increase related to new business volume at SFS. Secondly, we had additions to intangible assets and property, plant and equipment of €1.176 billion, which related mainly to investments within the Sectors. For comparison, the prior-year period included cash outflows from the financing business at SFS of €1.126 billion and additions to intangible assets and property, plant and equipment of €1.112 billion. In the prior-year period, acquisitions, net of cash acquired, totaled €2.711 billion: These cash outflows included the preliminary purchase price (excluding cash acquired) of €1.980 billion related to Infrastructure & Cities acquisition of Invensys Rail and €670 million related to Industry's acquisitions of LMS International NV.

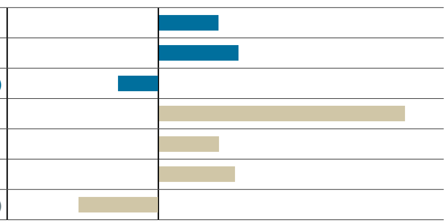
Discontinued operations provided cash of €405 million in the first nine months of fiscal 2014, compared to cash used of €233 million in the prior-year period. The current period included proceeds (excluding cash sold) of €0.5 billion related to the sale of the Water Technologies Business Unit.

Free cash flow from continuing and discontinued operations amounted to €1.751 billion in the first nine months of fiscal 2014, compared to €992 million a year earlier. The improvement year-over-year resulted primarily from higher cash inflows from operating activities for continuing operations as discussed above.

On a sequential basis, Free cash flow during the first three quarters of fiscal 2014 and during fiscal 2013 was as follows:

Free cash flow (in millions of €)[1]

Q3 2014	1,048
Q2 2014	1,402
Q1 2014	(699)
Q4 2013	4,336
Q3 2013	1,053
Q2 2013	1,335
Q1 2013	(1,395)



1 Continuing and discontinued operations.

Cash flows from financing activities – Financing activities for continuing operations used cash of €1.309 billion in the first nine months of fiscal 2014, compared to cash used of €1.798 billion in the same period a year earlier. In the current period major components of cash outflows were dividends paid (for fiscal 2013) to shareholders of Siemens AG of €2.533 billion and the repayment of €1.033 billion in long-term debt. In additions we paid interest of €467 million and recorded cash outflows of €419 million for the purchase of treasury shares under Siemens' share buyback program. These payments were partly offset by cash inflows from the change in short-term debt and other financing activities of €3.044 billion and by proceeds of €218 million from the issuance of long-term debt. For comparison, in the prior-year period we paid dividends (for fiscal 2012) to shareholders of Siemens AG of €2.528 billion and €2.153 billion for the repayment of long-term debt. We recorded €1.394 billion for the purchase of treasury shares and €328 million for the payment of interest. In the prior-year period these cash outflows were partly offset by cash inflows due to the issuance of long-term debt of €3.772 billion and due to the change in short-term debt and other financing activities of €983 million. In both periods, the changes in short-term debt and other financing activities primarily related to the issuance of commercial paper.

C.4.3 Capital resources and requirements

We have a US$9.0 billion (€6.5 billion) global multi-currency commercial paper program in place. As of June 30, 2014 the nominal amount outstanding in commercial paper was US$3.7 billion (€2.7 billion).

In March 2014, we issued US$300 million (€0.2 billion) privately placed floating-rate instruments due in March, 2019.

In March 2014, our two bilateral US$500 million (totaling €0.7 billion) floating-rate term loans (three months LIBOR + 0.79% p.a.) with an original term of five years were extended by one year until March, 2019 with a remaining one-year extension option.

In June 2014, we redeemed at face value €1.0 billion in 5.375% fixed-rate instruments.

In June 2014, the €4.0 billion undrawn syndicated multi-currency revolving credit facility, signed in April 2012 with an original term of five years has been amended and extended to June 2019 with two one-year extension options remaining.

In November 2013, we announced a share buyback program of up to €4 billion in volume. In May 2014, we started to repurchase shares and until the end of the first nine months of fiscal 2014, we repurchased 4,502,642 treasury shares at average costs per share of €97.65.

C.4.4 Post-employment benefits

At the end of the first nine months of fiscal 2014, the funded status of Siemens' defined benefit plans showed an underfunding of €10.3 billion, compared to an underfunding of €9.1 billion at the end of fiscal 2013. Within these figures, underfunding for pension plans amounted to €9.7 billion and €8.5 billion, respectively, as of June 30, 2014 and September 30, 2013. The increase in Siemens' defined benefit obligation (DBO) was partly offset by an increase in the fair value of plan assets.

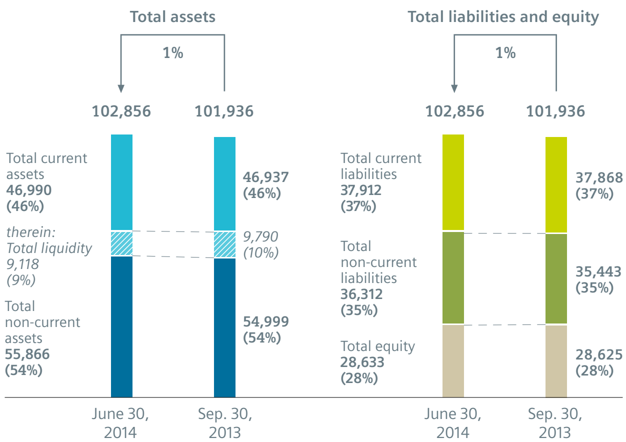
The DBO of Siemens' defined benefit plans, which takes into account future compensation and pension increases, amounted to €35.9 billion on June 30, 2014, compared to €33.2 billion on September 30, 2013. The DBO increased in the first nine months of fiscal 2014 due primarily to a substantial decrease in the discount rate assumption and also due to accrued service and interest cost. These factors were partly offset by benefits paid.

The fair value of plan assets as of June 30, 2014 was €25.6 billion compared to €24.1 billion on September 30, 2013. The actual return on plan assets for the first nine months of fiscal 2014 amounted to €2.2 billion, resulting mainly from fixed-income investments. Employer contributions amounted to €0.4 billion in the first nine months of fiscal 2014. These factors were partly offset by benefits paid.

For more information on Siemens' post-employment benefits, see → NOTE 6 in → D.6 NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS.

C.5 Net assets position

Structure of Consolidated Statements of Financial Position (in millions of €)



Total current assets as of June 30, 2014 remained nearly unchanged from the level as of September 30, 2013 and include an increase of €700 million in assets classified as held for disposal as well as a decrease in total liquidity of €672 million. The increase in assets classified as held for disposal included the classification of assets related to nearly all of the activities of the Metals Technologies business, formerly included in the Industry Sector, which will be brought into a joint venture with Mitsubishi-Hitachi Metals Machinery Inc. This increase was partly offset by lower assets classified as held for disposal, primarily due to the sale of the Water Technologies Business Unit.

The increase of €867 million in total non-current assets was due mainly to an increase of €1.730 billion in other financial assets, particularly higher loans receivable at SFS in connection with its growth strategy. In addition, investments accounted for using the equity method increased by €503 million, including our interest in the joint venture related to the TurboCare Business of the Energy Sector. These increases in non-current assets were partly offset by lower goodwill, other intangible assets and property, plant and equipment, including those related to the above-mentioned classification of Industry's Metals Technologies business assets.

Total current liabilities remained nearly unchanged in the first nine months of fiscal 2014. Within the current liabilities we recorded an increase of €2.148 billion in short-term debt and current maturities of long-term debt, which resulted mainly from the issuance of commercial paper. This increase was offset by a decrease of €1.409 billion in other current liabilities, due mainly to a decrease in employee-related liabilities, and a decrease of €843 million in trade payables. The decrease in trade payables was recorded mainly in Infrastructure & Cities and Industry, and included the classification of trade payables to liabilities associated with assets classified as held for disposal related to Metals Technologies.

Within non-current liabilities the major change was an increase of €1.208 billion in post-employment benefits reflecting an increase in the underfunding of Siemens' pension plans between the periods under review.

Total equity as of June 30, 2014 remained nearly unchanged from its level as of September 30, 2013. Within total equity an increase due to the net income of €4.009 billion was partly offset by a decrease due to dividend payments totaling €2.636 billion and a negative €1.129 billion in other comprehensive income, net of income taxes.

C.6 Siemens – Vision 2020

In the future, Siemens will position itself along the electrification, automation and digitalization. Along these value chains Siemens has identified several growth fields in which it sees its greatest long-term potential. The company is orienting its resource allocation toward these growth fields and has announced concrete measures in this direction. The measures include the purchase of the major part of Rolls-Royce's energy business and the contribution of nearly all activities of Siemens' Metals Technologies business into a joint venture. For more information on these two transactions, see → C.2 PORTFOLIO ACTIVITIES. A public listing of the audiology business will also be prepared. In addition, Siemens is making its organization flatter and more customer-oriented.

As of October 1, 2014, the organization will be streamlined by eliminating the Sector level and bundling business into nine Divisions instead of the current 16. In addition, Healthcare will be separately managed in the future.

Bundling the Divisions and eliminating the Sectors will reduce bureaucracy, cut costs and accelerate decision-making within the company. In addition, the company's support functions – for example, human resources and communications – are to be streamlined and centrally managed in the future. These measures, which are expected to increase productivity by some €1 billion a year, are to be fully effective by the end of fiscal 2016. To optimize cost development sustainably, the Company has set a new target for total cost productivity. Starting in fiscal 2015, it is to total 3% – 5% a year.

As of fiscal 2015, the Divisions will be assigned target profit margin ranges excluding PPA effects – that is, excluding the acquisition-related amortization of intangibles. These target ranges are oriented on the profit margins of each Division's main competitors.

Power and Gas	11 – 15%
Wind Power and Renewables	5 – 8%
Energy Management	7 – 10%
Building Technologies	8 – 11%
Mobility	6 – 9%
Digital Factory	14 – 20%
Process Industries and Drives	8 – 12%
Healthcare	15 – 19%
Financial Services	15 – 20% (Return on equity)

In addition, the Company wants to expand its share plans for employees below the senior management level and increase the number of employee shareholders by at least 50% to well over 200,000. For this purpose, Siemens will make up to €400 million available annually depending on Company performance.

C.7 Outlook

We confirm our guidance for fiscal 2014. We expect revenue on an organic basis to remain level year-over-year, and orders to exceed revenue for a book-to-bill ratio above 1. Given these developments and financial results for the first nine months, we expect basic earnings per share (Net Income) for fiscal 2014 to grow by at least 15% from €5.08 in fiscal 2013.

This outlook is based on shares outstanding of 843 million as of September 30, 2013. Furthermore, it excludes impacts related to legal and regulatory matters.

C.8 Risks and opportunities

In our Annual Report for fiscal 2013 we describe certain risks which could have a material adverse effect on our business, financial condition (including effects on assets, liabilities and cash flows), results of operations and reputation. We also describe our most significant opportunities as well as the design of our risk management system.

As previously disclosed, protectionist trade policies and changes in the political and regulatory environment in the markets in which we operate, such as import and export controls, tariffs and other trade barriers and price or exchange controls, could affect our business in several national markets, impact our sales and profitability and make the repatriation of profits difficult, and may expose us to penalties, sanctions and reputational damage. In addition, the uncertainty of the legal environment in some regions could limit our ability to enforce our rights and subject us to continually increasing costs related to designing and implementing appropriate compliance programs and protocols.

As a globally operating organization, we conduct business with customers in countries, such as Iran, Syria and Cuba, that are subject to increasingly expansive export control regulations, embargoes, economic sanctions or other forms of trade restrictions imposed by the U.S., the European Union or other countries or organizations.

Ongoing political disputes, particularly regarding the Ukraine, may result in additional trade restrictions and other negative effects, e.g. on the global economy, impacting our business, financial condition, results of operations and reputation.

During the first nine months of fiscal 2014, we identified no further significant risks and opportunities besides those presented in our ↗ ANNUAL REPORT FOR FISCAL 2013 and in → C.1 OVERVIEW FOR THE THIRD QUARTER OF FISCAL 2014, → C.3.2 SEGMENT INFORMATION, and in legal proceedings in → NOTE 10 in → D.6 NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS. Additional risks and opportunities not known to us or that we currently consider immaterial could also affect our business operations. We do not expect to incur any risks that either individually or in combination could endanger our ability to continue as a going concern. We refer also to → C.9 NOTES AND FORWARD-LOOKING STATEMENTS.

C.9 Notes and forward-looking statements

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, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens' control, affect Siemens' operations, performance, business strategy and results and could cause the actual results, performance or achievements of Siemens to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends. These factors include in particular, but are not limited to, the matters described in Item 3: Key information – Risk factors of our most recent annual report on Form 20-F filed with the SEC, in the chapter Risks of our most recent annual report prepared in accordance with the German Commercial Code, and in the chapter Risks and opportunities of our most recent interim report.

Further information about risks and uncertainties affecting Siemens is included throughout our most recent annual and interim reports, as well as our most recent earnings release, which are available on the Siemens website, WWW.SIEMENS.COM, and throughout our most recent annual report on Form 20-F and in our other filings with the SEC, which are available on the Siemens website, WWW.SIEMENS.COM, and on the SEC's website, WWW.SEC.GOV. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements of Siemens may vary materially from those described in the relevant forward-looking statement as being expected, anticipated, intended, planned, believed, sought, estimated or projected. 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 supplemental financial measures that are or may be non-GAAP financial measures. Orders and order backlog; adjusted or organic growth rates of revenue and orders; book-to-bill ratio; Total Sectors profit; return on equity (after tax), or ROE (after tax); return on capital employed (adjusted), or ROCE (adjusted); Free cash flow, or FCF; adjusted EBITDA; adjusted EBIT; adjusted EBITDA margins, earnings effects from purchase price allocation, or PPA effects; net debt and adjusted industrial net debt are or may be such 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. Definitions of these supplemental financial measures, a discussion of the most directly comparable IFRS financial measures, information regarding the usefulness of Siemens' supplemental financial measures, the limitations associated with these measures and reconciliations to the most comparable IFRS financial measures are available on Siemens' Investor Relations website at WWW.SIEMENS.COM/NONGAAP. For additional information, see supplemental financial measures and the related discussion in Siemens' most recent annual report on Form 20-F, which can be found on our Investor Relations website or via the EDGAR system on the website of the United States Securities and Exchange Commission.

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.

For technical reasons, there may be differences between the accounting records appearing in this document and those published pursuant to legal requirements.

D. Condensed Interim Consolidated Financial Statements

D.1 Consolidated Statements of Income (unaudited)

For the three and nine months ended June 30, 2014 and 2013

(in millions of €, per share amounts in €)	Note	Three months ended June 30, 2014	Three months ended June 30, 2013	Nine months ended June 30, 2014	Nine months ended June 30, 2013
Revenue		17,921	18,611	51,993	53,613
Cost of sales		(12,717)	(13,594)	(36,727)	(38,604)
Gross profit		5,204	5,017	15,266	15,008
Research and development expenses		(1,051)	(1,060)	(3,053)	(3,063)
Selling and general administrative expenses		(2,556)	(2,826)	(7,638)	(8,020)
Other operating income	3	129	77	595	272
Other operating expenses		(94)	(55)	(348)	(245)
Income from investments accounted for using the equity method, net		76	188	425	351
Interest income	4	269	251	781	709
Interest expenses	4	(198)	(202)	(569)	(574)
Other financial income (expenses), net	4	61	(32)	(51)	(103)
Income from continuing operations before income taxes		**1,840**	**1,358**	**5,407**	**4,336**
Income tax expenses		(470)	(352)	(1,498)	(1,244)
Income from continuing operations		**1,371**	**1,006**	**3,909**	**3,092**
Income from discontinued operations, net of income taxes	2	28	92	100	249
Net income		**1,399**	**1,098**	**4,009**	**3,341**
Attributable to:					
Non-controlling interests		28	27	82	64
Shareholders of Siemens AG		1,371	1,071	3,927	3,277
Basic earnings per share	13				
Income from continuing operations		1.59	1.16	4.53	3.60
Income from discontinued operations		0.03	0.11	0.12	0.29
Net income		**1.62**	**1.27**	**4.65**	**3.88**
Diluted earnings per share	13				
Income from continuing operations		1.57	1.15	4.49	3.56
Income from discontinued operations		0.03	0.10	0.12	0.28
Net income		**1.61**	**1.26**	**4.60**	**3.84**

The accompanying Notes are an integral part of these Interim Consolidated Financial Statements.

D.2 Consolidated Statements of Comprehensive Income (unaudited)

For the three and nine months ended June 30, 2014 and 2013

	Three months ended June 30,		Nine months ended June 30,	
(in millions of €)	2014	2013	2014	2013
Net income	1,399	1,098	4,009	3,341
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit plans	(650)	404	(881)	349
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	301	(585)	(209)	(619)
Available-for-sale financial assets	(225)	34	99	42
Derivative financial instruments	(113)	41	(137)	83
	(36)	(510)	(247)	(494)
Other comprehensive income, net of income taxes[1]	**(686)**	**(106)**	**(1,129)**	**(145)**
Total comprehensive income	**712**	**992**	**2,880**	**3,196**
Attributable to:				
Non-controlling interests	30	6	85	45
Shareholders of Siemens AG	682	985	2,795	3,152

1 Includes income (expenses) resulting from investments accounted for using the equity method of €(51) million and €(12) million, respectively, for the three months ended June 30, 2014 and 2013, and €(123) million and €(126) million for the nine months ended June 30, 2014 and 2013, respectively. Thereof €(20) million and €– million, respectively, for the three months ended June 30, 2014 and 2013, and €(12) million and €(117) million for the nine months ended June 30, 2014 and 2013, respectively, are attributable to items that will not be reclassified to profit or loss.

The accompanying Notes are an integral part of these Interim Consolidated Financial Statements.

D.3 Consolidated Statements of Financial Position

As of June 30, 2014 (unaudited) **and September 30, 2013**

(in millions of €)	Note	06/30/2014	09/30/2013
Assets			
Cash and cash equivalents		8,210	9,190
Available-for-sale financial assets		907	601
Trade and other receivables		14,623	14,853
Other current financial assets		3,137	3,250
Inventories		16,073	15,560
Current income tax assets		658	794
Other current assets		1,288	1,297
Assets classified as held for disposal	2	2,093	1,393
Total current assets		**46,990**	**46,937**
Goodwill		17,236	17,883
Other intangible assets		4,639	5,057
Property, plant and equipment		9,361	9,815
Investments accounted for using the equity method		3,525	3,022
Other financial assets		16,847	15,117
Deferred tax assets		3,322	3,234
Other assets		937	872
Total non-current assets		**55,866**	**54,999**
Total assets		**102,856**	**101,936**

Liabilities and equity			
Short-term debt and current maturities of long-term debt	5	4,092	1,944
Trade payables		6,757	7,599
Other current financial liabilities		1,496	1,515
Current provisions		4,263	4,485
Current income tax liabilities		1,710	2,151
Other current liabilities		18,292	19,701
Liabilities associated with assets classified as held for disposal	2	1,301	473
Total current liabilities		**37,912**	**37,868**
Long-term debt	5	18,364	18,509
Post-employment benefits	6	10,473	9,265
Deferred tax liabilities		501	504
Provisions	7	3,925	3,907
Other financial liabilities		1,204	1,184
Other liabilities		1,845	2,074
Total non-current liabilities		**36,312**	**35,443**
Total liabilities		**74,223**	**73,312**
Equity	8		
Issued capital, no par value[1]		2,643	2,643
Capital reserve		5,479	5,484
Retained earnings		23,122	22,663
Other components of equity		17	268
Treasury shares, at cost[2]		(3,125)	(2,946)
Total equity attributable to shareholders of Siemens AG		**28,136**	**28,111**
Non-controlling interests		497	514
Total equity		**28,633**	**28,625**
Total liabilities and equity		**102,856**	**101,936**

1 Authorized: 1,087,200,000 and 1,084,600,000 shares, respectively. Issued: 881,000,000 and 881,000,000 shares, respectively.

2 39,141,521 and 37,997,595 shares, respectively.

The accompanying Notes are an integral part of these Interim Consolidated Financial Statements.

D.4 Consolidated Statements of Cash Flows (unaudited)

For the nine months ended June 30, 2014 and 2013

(in millions of €)	2014	2013
Cash flows from operating activities		
Net income	4,009	3,341
Adjustments to reconcile net income to cash flows from operating activities – continuing operations		
Income from discontinued operations, net of income taxes	(100)	(249)
Amortization, depreciation and impairments	1,823	1,997
Income tax expenses	1,498	1,244
Interest (income) expenses, net	(212)	(135)
(Gains) losses on disposals of assets related to investing activities, net[1]	(351)	(45)
Other (income) losses from investments[1]	(429)	(325)
Other non-cash (income) expenses	242	469
Change in assets and liabilities		
Inventories	(1,012)	(940)
Trade and other receivables	(178)	(949)
Trade payables	(493)	(938)
Other assets and liabilities	(896)	(129)
Additions to assets leased to others in operating leases	(272)	(295)
Income taxes paid	(1,434)	(1,773)
Dividends received	273	254
Interest received	714	624
Cash flows from operating activities – continuing operations	**3,183**	**2,150**
Cash flows from operating activities – discontinued operations	(243)	96
Cash flows from operating activities – continuing and discontinued operations	**2,941**	**2,246**
Cash flows from investing activities		
Additions to intangible assets and property, plant and equipment	(1,176)	(1,112)
Acquisitions of businesses, net of cash acquired	(7)	(2,711)
Purchase of investments[1]	(275)	(223)
Purchase of current available-for-sale financial assets	(390)	(43)
Change in receivables from financing activities	(1,682)	(1,126)
Disposal of investments, intangibles and property, plant and equipment[1]	383	422
Disposal of businesses, net of cash disposed	95	(34)
Disposal of current available-for-sale financial assets	69	62
Cash flows from investing activities – continuing operations	**(2,982)**	**(4,765)**
Cash flows from investing activities – discontinued operations	405	(233)
Cash flows from investing activities – continuing and discontinued operations	**(2,577)**	**(4,998)**
Cash flows from financing activities		
Purchase of treasury shares	(419)	(1,394)
Other transactions with owners	(17)	(14)
Issuance of long-term debt	218	3,772
Repayment of long-term debt (including current maturities of long-term debt)	(1,033)	(2,153)
Change in short-term debt and other financing activities	3,044	983
Interest paid	(467)	(328)
Dividends paid to shareholders of Siemens AG	(2,533)	(2,528)
Dividends attributable to non-controlling interests	(101)	(134)
Cash flows from financing activities – continuing operations	**(1,309)**	**(1,798)**
Cash flows from financing activities – discontinued operations	(2)	14
Cash flows from financing activities – continuing and discontinued operations	**(1,311)**	**(1,784)**
Effect of changes in exchange rates on cash and cash equivalents	(55)	(44)
Change in cash and cash equivalents	(1,003)	(4,580)
Cash and cash equivalents at beginning of period	9,234	10,950
Cash and cash equivalents at end of period	8,231	6,370
Less: Cash and cash equivalents of assets classified as held for disposal and discontinued operations at end of period	20	298
Cash and cash equivalents at end of period (Consolidated Statements of Financial Position)	**8,210**	**6,071**

1 Investments include equity instruments either classified as non-current available-for-sale financial assets, accounted for using the equity method or classified as held for disposal. Purchase of investments includes certain loans to investments accounted for using the equity method.

The accompanying Notes are an integral part of these Interim Consolidated Financial Statements.

D.5 Consolidated Statements of Changes in Equity (unaudited)

For the nine months ended June 30, 2014 and 2013

(in millions of €)	Issued capital	Capital reserve	Retained earnings
Balance as of October 1, 2012 (as previously reported)	2,643	6,173	22,756
Effect of retrospectively adopting IAS 19R	–	–	122
Balance as of October 1, 2012	2,643	6,173	22,877
Net income	–	–	3,277
Other comprehensive income, net of income taxes	–	–	349[1]
Dividends	–	–	(2,528)
Share-based payment	–	2	(35)
Purchase of treasury shares	–	–	–
Re-issuance of treasury shares	–	3	–
Transactions with non-controlling interests	–	–	(24)
Spin-off related changes in equity	–	(163)	(2,240)
Other changes in equity	–	(553)	(7)
Balance as of June 30, 2013	**2,643**	**5,463**	**21,669**
Balance as of October 1, 2013	2,643	5,484	22,663
Net income	–	–	3,927
Other comprehensive income, net of income taxes	–	–	(882)[1]
Dividends	–	–	(2,533)
Share-based payment	–	(33)	(21)
Purchase of treasury shares	–	–	–
Re-issuance of treasury shares	–	28	–
Transactions with non-controlling interests	–	–	(25)
Other changes in equity	–	–	(8)
Balance as of June 30, 2014	**2,643**	**5,479**	**23,122**

1 Items of Other comprehensive income that will not be reclassified to profit or loss consist of Remeasurements of defined benefit plans of €(882) million and €349 million, respectively in the nine months ended June 30, 2014 and 2013. Remeasurements of defined benefit plans are included in line item Retained earnings.

2 In the nine months ended June 30, 2014 and 2013, Other comprehensive income, net of income taxes, includes non-controlling interests of €– million and

Total comprehensive income							
Other components of equity Items that may be reclassified subsequently to profit or loss							
Currency translation differences	Available-for-sale financial assets	Derivative financial instruments	Total	Treasury shares at cost	Total equity attributable to shareholders of Siemens AG	Non-controlling interests	Total equity
857	245	(44)	23,814	(1,897)	30,733	569	31,302
–	–	–	122	–	122	–	122
857	245	(44)	23,936	(1,897)	30,855	569	31,424
–	–	–	3,277	–	3,277	64	3,341
(598)	42	82	(125)	–	(125)	(20)	(145)[2]
–	–	–	(2,528)	–	(2,528)	(111)	(2,640)
–	–	–	(35)	–	(33)	–	(33)
–	–	–	–	(1,349)	(1,349)	–	(1,349)
–	–	–	–	280	284	–	284
–	–	–	(24)	–	(24)	1	(22)
–	–	–	(2,240)	–	(2,403)	–	(2,403)
–	–	–	(7)	–	(560)	12	(548)
258	**287**	**38**	**22,253**	**(2,966)**	**27,393**	**516**	**27,909**
(160)	428	(1)	22,930	(2,946)	28,111	514	28,625
–	–	–	3,927	–	3,927	82	4,009
(212)	99	(137)	(1,132)	–	(1,132)	4	(1,129)[2]
–	–	–	(2,533)	–	(2,533)	(102)	(2,636)
–	–	–	(21)	–	(54)	–	(54)
–	–	–	–	(440)	(440)	–	(440)
–	–	–	–	261	289	–	289
–	–	–	(25)	–	(25)	(2)	(27)
–	–	–	(8)	–	(8)	3	(5)
(372)	**527**	**(137)**	**23,139**	**(3,125)**	**28,136**	**497**	**28,633**

€– million relating to Remeasurements of defined benefit plans, €3 million and €(21) million relating to Currency translation differences, €– million and €– million relating to Available-for-sale financial assets and €– million and €1 million relating to Derivative financial instruments.

The accompanying Notes are an integral part of these Interim Consolidated Financial Statements.

D.6 Notes to Condensed Interim Consolidated Financial Statements

Segment information (continuing operations – unaudited)

As of and for the three months ended June 30, 2014 and 2013 and as of September 30, 2013

(in millions of €)	Orders[1]		External revenue		Intersegment revenue		Total revenue	
	2014	2013	2014	2013	2014	2013	2014	2013
Sectors								
Energy	8,228	5,353	6,042	6,588	69	51	6,111	6,639
Healthcare	3,199	3,274	3,179	3,362	13	5	3,192	3,367
Industry	4,145	4,085	3,778	3,861	452	418	4,231	4,279
Infrastructure & Cities	4,154	7,505	4,548	4,289	164	167	4,712	4,456
Total Sectors	**19,725**	**20,215**	**17,547**	**18,100**	**698**	**642**	**18,245**	**18,741**
Equity Investments	–	–	–	–	–	–	–	–
Financial Services (SFS)	243	286	195	245	48	41	243	286
Reconciliation to Consolidated Financial Statements								
Centrally managed portfolio activities	57	51	69	107	2	2	71	109
Siemens Real Estate (SRE)	594	626	60	78	535	549	594	627
Corporate items and pensions	84	116	50	82	35	35	86	116
Eliminations, Corporate Treasury and other reconciling items	(1,292)	(1,181)	–	–	(1,318)	(1,268)	(1,318)	(1,268)
Siemens	**19,411**	**20,113**	**17,921**	**18,611**	**–**	**–**	**17,921**	**18,611**

1 This supplementary information on Orders is provided on a voluntary basis. It is not part of the Interim Consolidated Financial Statements subject to the review opinion.

2 Profit of the Sectors as well as of Equity Investments and Centrally managed portfolio activities is earnings before financing interest, certain pension costs and income taxes. Certain other items not considered performance indicative by Management may be excluded. Profit of SFS and SRE is Income before income taxes.

3 Assets of the Sectors as well as of Equity Investments and Centrally managed portfolio activities is defined as Total assets less income tax assets, less non-interest bearing liabilities other than tax liabilities. Assets of SFS and SRE is Total assets.

Profit[2]		Assets[3]		Free cash flow[4]		Additions to intangible assets and property, plant and equipment		Amortization, depreciation and impairments[5]	
2014	2013	06/30/2014	09/30/2013	2014	2013	2014	2013	2014	2013
405	430	2,490	1,621	220	(54)	100	85	127	136
436	499	11,050	11,023	620	678	90	77	150	159
548	363	6,601	6,410	777	646	81	88	135	152
350	(23)	5,722	4,973	73	(196)	55	51	71	81
1,739	**1,269**	**25,863**	**24,027**	**1,690**	**1,075**	**327**	**301**	**483**	**528**
59	151	2,677	2,488	86	115	–	–	–	–
121	73	20,144	18,661	115	183	8	8	43	58
6	3	(226)	(234)	(59)	(42)	1	3	1	1
67	14	4,621	4,747	(44)	14	84	68	66	73
(65)	(125)	(12,002)	(11,160)	(119)	75	16	16	19	18
(87)	(27)	61,779	63,407	(541)	(423)	–	(1)	(7)	(8)
1,840	**1,358**	**102,856**	**101,936**	**1,127**	**996**	**435**	**394**	**605**	**669**

4 Free cash flow represents Cash flows from operating activities less Additions to intangible assets and property, plant and equipment. Free cash flow of the Sectors, Equity Investments and Centrally managed portfolio activities primarily exclude income tax, financing interest and certain pension related payments and proceeds. Free cash flow of SFS, a financial services business, and of SRE includes related financing interest payments and proceeds; income tax payments and proceeds of SFS and SRE are excluded.

5 Amortization, depreciation and impairments contains amortization and impairments, net of reversals of impairments, of intangible assets other than goodwill as well as depreciation and impairments of property, plant and equipment, net of reversals of impairments.

Segment information (continuing operations – unaudited)

As of and for the nine months ended June 30, 2014 and 2013 and as of September 30, 2013

	Orders[1]		External revenue		Intersegment revenue		Total revenue	
(in millions of €)	*2014*	*2013*	2014	2013	2014	2013	2014	2013
Sectors								
Energy	*21,550*	*21,188*	17,310	19,050	183	151	17,493	19,201
Healthcare	*9,594*	*9,890*	9,516	9,882	26	15	9,542	9,897
Industry	*12,963*	*12,290*	11,034	11,071	1,225	1,175	12,259	12,246
Infrastructure & Cities	*15,139*	*17,078*	13,044	12,157	454	501	13,498	12,658
Total Sectors	***59,245***	***60,446***	**50,904**	**52,160**	**1,888**	**1,842**	**52,792**	**54,003**
Equity Investments	–	–	–	–	–	–	–	–
Financial Services (SFS)	*706*	*725*	566	658	140	67	706	725
Reconciliation to Consolidated Financial Statements								
Centrally managed portfolio activities	*209*	*219*	174	305	6	7	180	312
Siemens Real Estate (SRE)	*1,775*	*1,838*	199	237	1,575	1,601	1,775	1,839
Corporate items and pensions	*258*	*375*	150	252	112	124	262	376
Eliminations, Corporate Treasury and other reconciling items	*(4,029)*	*(3,535)*	–	–	(3,721)	(3,642)	(3,721)	(3,642)
Siemens	***58,163***	***60,069***	**51,993**	**53,613**	**–**	**–**	**51,993**	**53,613**

1 This supplementary information on Orders is provided on a voluntary basis. It is not part of the Interim Consolidated Financial Statements subject to the review opinion.

2 Profit of the Sectors as well as of Equity Investments and Centrally managed portfolio activities is earnings before financing interest, certain pension costs and income taxes. Certain other items not considered performance indicative by Management may be excluded. Profit of SFS and SRE is Income before income taxes.

3 Assets of the Sectors as well as of Equity Investments and Centrally managed portfolio activities is defined as Total assets less income tax assets, less non-interest bearing liabilities other than tax liabilities. Assets of SFS and SRE is Total assets.

Profit[2]		Assets[3]		Free cash flow[4]		Additions to intangible assets and property, plant and equipment		Amortization, depreciation and impairments[5]	
2014	2013	06/30/2014	09/30/2013	2014	2013	2014	2013	2014	2013
1,166	1,392	2,490	1,621	317	81	267	229	372	410
1,438	1,447	11,050	11,023	1,311	1,353	236	191	448	478
1,554	1,198	6,601	6,410	1,324	1,426	202	211	415	456
1,005	124	5,722	4,973	196	(599)	149	150	215	216
5,162	**4,161**	**25,863**	**24,027**	**3,148**	**2,261**	**853**	**780**	**1,450**	**1,561**
263	302	2,677	2,488	81	120	–	–	–	–
345	303	20,144	18,661	413	579	26	54	146	177
(28)	(14)	(226)	(234)	(51)	(104)	4	5	2	3
215	55	4,621	4,747	(131)	(64)	248	223	187	210
(498)	(440)	(12,002)	(11,160)	(629)	(430)	48	52	56	72
(52)	(31)	61,779	63,407	(824)	(1,324)	(3)	(2)	(22)	(26)
5,407	**4,336**	**102,856**	**101,936**	**2,007**	**1,038**	**1,176**	**1,112**	**1,819**	**1,997**

4 Free cash flow represents Cash flows from operating activities less Additions to intangible assets and property, plant and equipment. Free cash flow of the Sectors, Equity Investments and Centrally managed portfolio activities primarily exclude income tax, financing interest and certain pension related payments and proceeds. Free cash flow of SFS, a financial services business, and of SRE includes related financing interest payments and proceeds; income tax payments and proceeds of SFS and SRE are excluded.

5 Amortization, depreciation and impairments contains amortization and impairments, net of reversals of impairments, of intangible assets other than goodwill as well as depreciation and impairments of property, plant and equipment, net of reversals of impairments.

NOTE 1 Basis of presentation

The accompanying Condensed Interim Consolidated Financial Statements (Interim Consolidated Financial Statements) present the operations of Siemens AG and its subsidiaries (the Company or Siemens). The Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU). The Interim Consolidated Financial Statements also comply with IFRS as issued by the IASB.

Siemens prepares and reports its Interim Consolidated Financial Statements in euros (€). Due to rounding, numbers presented may not add up precisely to totals provided. Siemens is a German based multinational corporation with a business portfolio of activities predominantly in the fields of electronics and electrical engineering.

Interim Consolidated Financial Statements – The accompanying Consolidated Statements of Financial Position as of June 30, 2014, the Consolidated Statements of Income for the three and nine months ended June 30, 2014 and 2013, the Consolidated Statements of Comprehensive Income for the three and nine months ended June 30, 2014 and 2013, the Consolidated Statements of Cash Flows for the nine months ended June 30, 2014 and 2013, the Consolidated Statements of Changes in Equity for the nine months ended June 30, 2014 and 2013 and the explanatory Notes to Consolidated Financial Statements are unaudited and have been prepared for interim financial information. These Interim Consolidated Financial Statements are condensed and prepared in compliance with International Accounting Standard (IAS) 34 Interim Financial Reporting, and shall be read in connection with Siemens' Annual IFRS Consolidated Financial Statements as of September 30, 2013. The interim financial statements apply the same accounting principles and practices as those used in the 2013 annual financial statements except as described at recently adopted accounting pronouncements. In the opinion of management, these unaudited Interim Consolidated Financial Statements include all adjustments of a normal and recurring nature necessary for a fair presentation of results for the interim periods. Results for the three and nine months ended June 30, 2014, are not necessarily indicative of future results. The Interim Consolidated Financial Statements were authorized for issue by the Managing Board on July 31, 2014.

Financial statement presentation – Information disclosed in the Notes relates to Siemens unless stated otherwise.

Use of estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent amounts at the date of the financial statements as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes – In interim periods, tax expense is based on the current estimated annual effective tax rate of Siemens.

Reclassification – The presentation of certain prior-year information has been reclassified to conform to the current year presentation. To enhance transparency, the Company changed retrospectively the presentation of financing of discontinued operations in the Consolidated Statements of Cash Flows in the second quarter of fiscal 2014.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

As of October 1, 2013, Siemens adopted IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities and consequential amendments to IAS 27, Separate Financial Statements (amended 2011) and IAS 28, Investments in Associates and Joint Ventures (amended 2011). IFRS 10 provides a comprehensive concept of control in determining whether an entity is to be consolidated, IFRS 11 provides guidance on accounting for joint arrangements by focusing on rights and obligations of the arrangement and IFRS 12 provides comprehensive disclosure requirements for all forms of interests in other entities. The standards are applied on a retrospective basis. The adoption of the new standards did not have a material impact on the Company's Consolidated Financial Statements; disclosures according to IFRS 12 will be provided in the Notes to the September 30, 2014 annual Consolidated Financial Statements.

As of October 1, 2013, Siemens adopted IFRS 13, Fair Value Measurement. The new standard defines fair value and standardizes disclosures on fair value measurements of both financial and non-financial instrument items. The standard is applied on a prospective basis. The adoption of IFRS 13 did not have a material impact on the Company's Consolidated Financial Statements.

RECENT ACCOUNTING PRONOUNCEMENTS, NOT YET ADOPTED

In July 2014, the IASB completed its project to replace IAS 39, Financial Instruments: Recognition and Measurement by publishing the final version of IFRS 9: Financial Instruments. IFRS 9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018, while early application is permitted. The European Financial Reporting Advisory Group postponed its endorsement advice on IFRS 9. The Company is currently assessing the impacts of adopting IFRS 9 on the Company's Consolidated Financial Statements.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. According to the new standard, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. In addition, the new standard requires a set of quantitative and qualitative disclosures to enable users of the Company's Consolidated Financial Statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017; early application is permitted. The Company is currently assessing the impact of adopting IFRS 15 on the Company's Consolidated Financial Statements and will determine the adoption date as well as the transition method.

NOTE 2 Acquisitions, dispositions and discontinued operations

ACQUISITIONS

At the beginning of May 2014, Siemens announced the acquisition of the Rolls-Royce Energy aero-derivative gas turbine and compressor business of Rolls-Royce plc, U.K. (Rolls-Royce). With the acquisition Siemens intends to strengthen its position in the growing oil and gas industry as well as in the field of decentralized power generation. The purchase price amounts to £785 million (€980 million as of June 30, 2014). In addition, as part of the transaction, Siemens will pay Rolls-Royce £200 million (€250 million as of June 30, 2014) for a 25 year technology licensing agreement granting exclusive access to future Rolls-Royce aero-turbine technology developments in the four to 85 megawatt power output range as well as preferred access to supply and engineering services of Rolls-Royce. The transaction is subject to approval by regulatory authorities. Closing is expected in the first quarter of fiscal 2015.

Acquisitions in fiscal 2013

At the beginning of May 2013, Siemens acquired all of the shares of six entities constituting the rail automation business of Invensys plc., U.K. (Invensys), which were integrated in the Infrastructure & Cities Sector's Mobility and Logistics Division. The purchase price allocation was finalized in the three months ended June 30, 2014. No significant adjustments were made to the preliminary purchase price allocation as of September 30, 2013.

At the beginning of January 2013, Siemens acquired all of the shares in LMS International NV, Belgium, which was integrated in the Industry Sector's Industry Automation Division. The purchase price allocation was finalized in the six months ended March 31, 2014. No significant adjustments were made to the preliminary purchase price allocation as of September 30, 2013.

DISPOSITIONS AND DISCONTINUED OPERATIONS

Dispositions not qualifying for discontinued operations: held for disposal

The Consolidated Statements of Financial Position as of June 30, 2014 include assets held for disposal of €403 million and liabilities held for disposal of €27 million, respectively, that do not qualify as discontinued operations. As of June 30, 2014, the assets and liabilities held for disposal mainly include the Microbiology business of the Diagnostics Division of the Healthcare Sector. In the three months ended June 30, 2014, the TurboCare Business Unit of the Energy Sector previously classified as held for disposal was contributed to a joint venture. Siemens' interest in the joint venture is accounted for using the equity method.

Discontinued operations

General

Net income (loss) from discontinued operations presented in the Consolidated Statements of Income for the three and nine months ended June 30, 2014 amount to €28 million (thereof €(6) million income tax) and €100 million (thereof €72 million income tax) compared to the three and nine months ended June 30, 2013 of €92 million (thereof €(20) million income tax) and €249 million (thereof €(88) million income tax), respectively.

Net income (loss) from discontinued operations attributable to shareholders of Siemens AG for the three months ended June 30, 2014 and 2013 amount to €27 million and €89 million. Net income from discontinued operations attributable to shareholders of Siemens AG for the nine months ended June 30, 2014 and 2013 amount to €99 million and €243 million, respectively.

Metals Technologies – discontinued operations, assets and liabilities held for disposal

In the three months ended June 30, 2014, Siemens signed an agreement to contribute nearly all of its metallurgical solutions business, formerly included in the Industry Sector, into a joint venture with Mitsubishi-Hitachi Metals Machinery Inc., a company majority owned by Mitsubishi Heavy Industries, Ltd. As a result of this transaction Siemens will lose control over its Metals Technologies business upon closing. Siemens will hold an equity interest of 49% which will be accounted for using the equity method. The transaction is subject to approval by the regulatory authorities. Closing is expected in the first quarter of fiscal 2015.

The respective Metals Technologies business (the disposal group) is classified as held for disposal and discontinued operations since the third quarter of fiscal 2014 and was tested for impairment accordingly. Siemens continues to recognize the disposal group at its carrying amount as no impairment was identified.

Accordingly, the results of the disposal group are disclosed as discontinued operations in the Company's Consolidated Statements of Income for all periods presented:

	Three months ended June 30,		Nine months ended June 30,	
(in millions of €)	2014	2013	2014	2013
Revenue	463	471	1,264	1,314
Expenses	(451)	(476)	(1,242)	(1,264)
Loss on the disposal of the disposal group constituting the discontinued operations (transaction-related costs)	(2)	–	(2)	–
Pretax income (loss) from discontinued operations	**10**	(5)	**19**	51
Income taxes on ordinary activities	(4)	6	(2)	(5)
Income (loss) from discontinued operations, net of income taxes	**6**	1	**17**	46

The assets and liabilities of the disposal group are presented as held for disposal in the Consolidated Statements of Financial Position through the date of disposal. The carrying amounts of the major classes of assets and liabilities of the disposal group were as follows:

(in millions of €)	June 30, 2014
Trade and other receivables	408
Inventories	448
Goodwill	403
Other intangible assets	44
Property, plant and equipment	112
Other financial assets	142
Other current and non-current assets	122
Assets classified as held for disposal	**1,679**
Trade payables	296
Current provisions	119
Other current liabilities	646
Post-employment benefits	93
Other non-current liabilities	102
Liabilities associated with assets classified as held for disposal	**1,256**

Water Technologies – discontinued operations, assets and liabilities held for disposal

The Water Technologies Business Unit is classified as held for disposal and discontinued operations since the fourth quarter of fiscal 2013. In the three months ended December 31, 2013, Siemens signed an agreement to sell the disposal group to funds managed by American European Associates Investors LP, U.S. On January 15, 2014, Siemens closed the transaction for a preliminary consideration of €612 million.

The results of Water Technologies are disclosed as discontinued operations in the Company's Consolidated Statements of Income for all periods presented:

(in millions of €)	Three months ended June 30, 2014	2013	Nine months ended June 30, 2014	2013
Revenue	–	242	225	701
Expenses	–	(244)	(228)	(704)
Loss on the measurement to fair value less costs to sell or on the disposal of the disposal group constituting the discontinued operations	(1)	(2)	(9)	(2)
Pretax income (loss) from discontinued operations	**(1)**	**(3)**	**(13)**	**(6)**
Income taxes on ordinary activities	–	(1)	(1)	(1)
Income taxes on the loss on the measurement to fair value less costs to sell or on the disposal of the disposal group constituting the discontinued operations	–	1	8	1
Income (loss) from discontinued operations, net of income taxes	**(1)**	**(3)**	**(6)**	**(7)**

The assets and liabilities of Water Technologies are presented as held for disposal in the Consolidated Statements of Financial Position through the date of sale. The carrying amounts of the major classes of assets and liabilities of Water Technologies were as follows:

(in millions of €)	Jan. 15, 2014	Sep. 30, 2013
Cash and cash equivalents	75	30
Trade and other receivables	125	155
Inventories	136	144
Other financial assets	15	5
Goodwill	154	155
Other intangible assets	104	103
Property, plant and equipment	164	157
Other assets	20	19
Assets classified as held for disposal	**794**	**768**
Trade payables	60	79
Current provisions	29	36
Other current liabilities	78	92
Post-employment benefits	7	13
Other liabilities	40	37
Liabilities associated with assets classified as held for disposal	**214**	**258**

OSRAM, Siemens IT Solutions and Services, SV and Com – discontinued operations

Net results of discontinued operations of OSRAM, Siemens IT Solutions and Services, SV activities and the former operating segment Com presented in the Consolidated Statements of Income in the three and nine months ended June 30, 2014 amounted to €23 million (thereof €(3) million income tax) and €89 million (thereof €68 million income tax) compared to €94 million (thereof €(26) million income tax) and €210 million (thereof €(82) million income tax), respectively, in the three and nine months ended June 30, 2013. Income tax includes €65 million related to former Communications activities in the nine months ended June 30, 2014.

NOTE 3 Other operating income

In the nine months ended June 30, 2014 and 2013, Other operating income includes €214 million and €55 million, respectively, in gains from the disposal of property, plant and equipment including gains from real estate sales leased back under operating leases; in the three months ended June 30, 2014 and 2013, gains from the disposal of property, plant and equipment amount to €68 million and €10 million, respectively. In the nine months ended June 30, 2014 and 2013, €123 million and €9 million, respectively, resulted from the sale of businesses of which €37 million relate to the three months ended June 30, 2014.

NOTE 4 Interest income, interest expenses and other financial income (expenses), net

(in millions of €)	Three months ended June 30, 2014	Three months ended June 30, 2013	Nine months ended June 30, 2014	Nine months ended June 30, 2013
Interest income	**269**	251	**781**	709
Interest expenses	**(198)**	(202)	**(569)**	(574)
Income (expenses) from available-for-sale financial assets, net	21	(65)	45	(76)
Miscellaneous financial income (expenses), net	40	33	(96)	(27)
Other financial income (expenses), net	**61**	(32)	**(51)**	(103)

Total amounts of item Interest income and (expenses) other than from post-employment benefits were as follows:

(in millions of €)	Three months ended June 30, 2014	Three months ended June 30, 2013	Nine months ended June 30, 2014	Nine months ended June 30, 2013
Interest income other than from post-employment benefits	269	253	780	707
Interest expenses other than from post-employment benefits	(124)	(131)	(348)	(354)
Interest income (expenses), net, other than from post-employment benefits	**145**	122	**432**	353
Thereof: Interest income (expenses) of operations, net	*(2)*	*(3)*	*(8)*	*1*
Thereof: Other interest income (expenses), net	*147*	*125*	*440*	*352*

Item Interest income (expenses) of operations, net includes interest income and expenses primarily related to receivables from customers and payables to suppliers, interest on advances from customers and advanced financing of customer contracts. Item Other interest income (expenses), net includes all other interest amounts primarily consisting of interest relating to corporate debt and related hedging activities, as well as interest income on corporate assets.

Changes in the fair value of warrants issued together with US$3 billion bonds in fiscal 2012 resulted in a pretax gain of €161 million and a pretax loss of €2 million, respectively, in the three and nine months ended June 30, 2014. The effects of an increase in the underlying Siemens and OSRAM share prices as well as increased volatilities in the first six months of fiscal 2014 were nearly offset by decreased volatilities and to a lesser extent by decreased Siemens and OSRAM share prices in the three months ended June 30, 2014. The gain (loss) is disclosed in Other financial income (expenses), net and in Corporate items for segment reporting purposes.

NOTE 5 Debt

(in millions of €)	June 30, 2014	Sep. 30, 2013
Short-term		
Notes and bonds	400	1,431
Loans from banks	791	412
Other financial indebtedness	2,883	82
Obligations under finance leases	19	20
Short-term debt and current maturities of long-term debt	**4,092**	**1,944**
Long-term		
Notes and bonds (maturing until 2066)	17,226	17,060
Loans from banks (maturing until 2023)	873	1,233
Other financial indebtedness (maturing until 2027)	159	106
Obligations under finance leases	105	110
Long-term debt	**18,364**	**18,509**
	22,456	**20,453**

In March 2014, Siemens issued US$300 million (€219 million carrying amount as of June 30, 2014) privately placed floating-rate instruments due March 6, 2019.

In March 2014, the two bilateral US$500 million term loan facilities (in aggregate €732 million as of June 30, 2014) with an original term of five years were extended by one year and are now due on March 26, 2019 with a remaining one year extension option.

In June 2014, the €4.0 billion undrawn syndicated multi-currency revolving credit facility, entered into in fiscal 2012 with an original term of five years was amended and extended to June 27, 2019 with two one-year extension options remaining.

Siemens redeemed at face value €1.0 billion in 5.375% fixed-rate instruments on June 11, 2014.

As of June 30, 2014, US$3.7 billion (€2.7 billion as of June 30, 2014) in commercial paper were outstanding; as of September 30, 2013, none were outstanding.

NOTE 6 Post-employment benefits

Unless otherwise stated, all numbers presented below refer only to continuing operations.

COMPONENTS OF DEFINED BENEFIT COST RECOGNIZED IN THE CONSOLIDATED STATEMENTS OF INCOME

	Three months ended June 30,		Nine months ended June 30,	
	2014	2013	2014	2013
(in millions of €)	Total	Total	Total	Total
Current service cost	119	125	358	378
Net interest expenses	73	74	221	220
Net interest income	–	(1)	–	(2)
Amendments/Curtailments/Settlements	–	1	1	4
Liability administration expenses	2	4	6	12
Defined benefit cost (income)	**194**	**203**	**586**	**612**

FUNDED STATUS OF POST-EMPLOYMENT BENEFITS

As of June 30, 2014, the funded status of Siemens' defined benefit plans reports an underfunding of €10.3 billion, compared to an underfunding of €9.1 billion as of September 30, 2013. This includes an underfunding of pension plans of €9.7 billion and €8.5 billion as of June 30, 2014, and September 30, 2013, respectively.

The weighted-average discount rate used to determine the estimated DBO of Siemens' defined benefit plans as of June 30, 2014, and September 30, 2013, is 2.7% and 3.4%, respectively.

Contributions made by the Company to its post-employment benefit plans in the three months ended June 30, 2014 and 2013 were €138 million and €67 million, respectively, and €410 million and €401 million, respectively, in the nine months ended June 30, 2014 and 2013.

NOTE 7 Provisions

In the nine months ended June 30, 2014, the Power Transmission Division of the Energy Sector incurred pretax losses in the Consolidated Statements of Income of €297 million, due to project charges relating to two high voltage direct current (HVDC) transmission line projects in Canada. The losses resulted from revised estimates for civil engineering and infrastructure provided by suppliers as well as penalties for associated project delays, among other factors and were mainly recorded in current provisions for order related losses and risks. In the three and nine months ended June 30, 2014, Power Transmission's grid connections primarily to offshore wind-farms resulted in pretax losses from transport, installation and commissioning costs of €128 million and €218 million, respectively, which reduced inventory as well.

NOTE 8 Shareholders' equity

TREASURY STOCK

In November 2013, Siemens announced a share buyback of up to €4 billion ending latest on October 31, 2015. The buybacks will be made under the current authorization granted at the Annual Shareholders' Meeting on January 25, 2011, which allows for further share repurchases of a maximum of 47.8 million shares under this program. Shares repurchased may inter alia be used for cancelling and reducing capital stock, for issuing shares to current and former employees, to members of the Managing Board and board members of affiliated companies and for meeting obligations from or in connection with convertible bonds or warrant bonds. Siemens started to repurchase shares in May 2014.

In the nine months ended June 30, 2014 and 2013, Siemens repurchased 4,502,642 and 17,150,820 treasury stock at average costs per share of €97.65 and €78.66, respectively and Siemens transferred a total of 3,358,716 and 3,626,164 of treasury stock, respectively, in connection with share-based payment plans.

RESOLUTIONS AT THE ANNUAL SHAREHOLDERS' MEETING

At the Annual Shareholders' Meeting on January 28, 2014, the Company's shareholders passed a resolution on the appropriation of net income of Siemens AG, approving and authorizing a dividend of €3.00 per share, representing a €2.5 billion dividend payment. The dividend was paid on January 29, 2014.

Authorized Capital 2009 expired on January 26, 2014. At the Annual Shareholders' Meeting on January 28, 2014, shareholders resolved on the creation of Authorized Capital 2014. Authorized Capital 2014 authorizes the Managing Board, with the approval of the Supervisory Board, to increase capital stock by up to nominal €528.6 million through issuing up to 176.2 million no par value shares for contributions in cash or in kind until January 27, 2019 with the option of excluding subscription rights.

At the Annual Shareholders' Meeting on January 28, 2014, shareholders resolved on the cancelation of the authorization to issue convertible bonds and / or warrant bonds dated January 25, 2011 as well as on cancelling Conditional Capital 2011. A new authorization of the Managing Board was granted which permits the issuance of convertible bonds and / or warrant bonds; in addition, shareholders resolved on the creation of Conditional Capital 2014. The new resolution allows the Managing Board to issue convertible and / or warrant bonds or a combination of these instruments in an aggregate principal amount of up to €15 billion, entitling the holders to subscribe to up to 80 million no par value shares, which represents an increase in capital stock of up to €240 million. Such bonds may be issued in exchange for contributions in cash and contributions in kind. Warrant bonds may be issued in exchange for consideration in kind to the extent that the terms and conditions of the warrants provide for full payment in cash of the option price per Siemens share upon exercise. The Managing Board is authorized to exclude shareholders' subscription rights with the approval of the Supervisory Board. The authorization to issue convertible and / or warrant bonds expires on January 27, 2019.

By resolution at the Annual Shareholders' Meeting on January 28, 2014, Conditional Capital 1999 and Conditional Capital 2001 were canceled, since of no further use. Originally provided for servicing share-based payment plans, the rights to shares under those plans expired in November 2010.

OTHER COMPREHENSIVE INCOME

The changes in other comprehensive income including non-controlling interests are as follows:

(in millions of €)	Three months ended June 30, 2014 Pretax	Tax effect	Net	Three months ended June 30, 2013 Pretax	Tax effect	Net
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit plans	(910)	261	(650)	728	(324)	404
Items that may be reclassified subsequently to profit or loss:						
Unrealized holding gains (losses) on available-for-sale financial assets	(227)	2	(225)	23	5	28
Reclassification adjustments for gains (losses) included in net income	–	–	–	5	1	5
Net unrealized gains (losses) on available-for-sale financial assets	(227)	2	(225)	28	5	34
Unrealized gains (losses) on derivative financial instruments	(141)	23	(118)	63	(16)	48
Reclassification adjustments for gains (losses) included in net income	3	3	6	(10)	3	(7)
Net unrealized gains (losses) on derivative financial instruments	(138)	26	(113)	54	(13)	41
Foreign-currency translation differences	301	–	301	(585)	–	(585)
	(64)	28	(36)	(503)	(7)	(510)
Other comprehensive income	**(974)**	**288**	**(686)**	**225**	**(332)**	**(106)**

(in millions of €)	Nine months ended June 30, 2014 Pretax	Tax effect	Net	Nine months ended June 30, 2013 Pretax	Tax effect	Net
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit plans	(1,250)	368	(881)	547	(198)	349
Items that may be reclassified subsequently to profit or loss:						
Unrealized holding gains (losses) on available-for-sale financial assets	116	(5)	110	36	2	38
Reclassification adjustments for gains (losses) included in net income	(12)	–	(12)	3	1	4
Net unrealized gains (losses) on available-for-sale financial assets	104	(5)	99	39	4	42
Unrealized gains (losses) on derivative financial instruments	(123)	16	(107)	142	(37)	105
Reclassification adjustments for gains (losses) included in net income	(45)	15	(30)	(32)	9	(22)
Net unrealized gains (losses) on derivative financial instruments	(168)	32	(137)	110	(27)	83
Foreign-currency translation differences	(209)	–	(209)	(619)	–	(619)
	(274)	26	(247)	(471)	(24)	(494)
Other comprehensive income	**(1,523)**	**395**	**(1,129)**	**77**	**(222)**	**(145)**

NOTE 9 Commitments and contingencies

The following table presents the undiscounted amount of maximum potential future payments for each major group of guarantees:

(in millions of €)	June 30, 2014	Sep. 30, 2013
Guarantees		
Credit guarantees	865	622
Guarantees of third-party performance	1,982	1,593
HERKULES obligations	1,490	1,890
Other	2,327	1,864
	6,663	**5,970**

NOTE 10 Legal proceedings

Significant developments regarding investigations and other legal proceedings that have occurred since the preparation of the Siemens' Annual IFRS Consolidated Financial Statements are described below.

PUBLIC CORRUPTION PROCEEDINGS

Governmental and related proceedings

As previously reported, in August 2009 Siemens AG and the Republic of Argentina (Argentina) settled a dispute concerning allegations by Siemens that Argentina had unlawfully terminated a contract with Siemens for the development and operation of a system for the production of identity cards, border control, collection of data and voters' registers (DNI project) and thereby violated the Bilateral Investment Protection Treaty between Argentina and Germany (BIT). Accordingly, any and all civil proceedings in connection with the case were discontinued. No payment was made by either party. As previously reported, the Argentinean Anti-Corruption Authority has initiated an investigation against individuals concerning alleged corruption of government officials in connection with the award of the contract for the DNI project to Siemens in calendar 1998. Searches were undertaken at the premises of Siemens Argentina and Siemens IT Services S.A. in Buenos Aires in August 2008 and in February 2009. The Company is cooperating with the Argentinean Authorities. The Argentinean investigative judge also repeatedly requested judicial assistance from the Munich public prosecutor and the federal court in New York. In December 2011, the U.S. Securities and Exchange Commission (SEC) and U.S. Department of Justice filed individual indictments against nine individuals based on the same facts as the investigation of the Argentinean Anti-Corruption Authority. Most of these individuals are former Siemens employees. In December 2013, the Argentinean investigative judge filed individual indictments against 17 individuals, including eight former and one current Siemens employees. The former member of the Managing Board of Siemens AG, Dr. Uriel Sharef, is among the defendants in the U.S. and the Argentinean proceedings. Siemens AG is neither a party to the U.S. nor to the Argentinean proceedings.

As previously reported, in February 2012, the Munich public prosecutor notified Siemens AG of a request for mutual assistance in criminal matters by the Swiss Federal Prosecution authority. The investigation of the Swiss Federal Prosecution involved the Swedish subsidiary Siemens Industrial Turbomachinery (SIT) in connection with alleged payments to employees of a Russian natural gas production company between calendar 2004 and 2006. In July 2013, the Swiss Federal Prosecution launched a criminal investigation against SIT for organizational neglect. In September 2013, the investigation was discontinued due to a settlement with the Swiss Federal Prosecution that included a restitution payment to a nonprofit organization and a compensation claim relating to forfeiture of profits in the lower double digit US$ million range. In April 2014, the Stockholm Prosecutor notified Siemens about the initiation of an investigation against SIT employees.

As previously reported, in August 2010, the Inter-American Development Bank (IADB) issued notices of administrative proceedings in two Latin-American countries against, among others, Siemens alleging fraudulent misstatements, antitrust violations and public corruption in connection with public invitations to tender in calendar 2003. Siemens cooperated with the IADB. In April 2014, a settlement was reached with the IADB which involves a payment of a single digit million € amount and a voluntary restraint from IADB-financed projects for three years by two Latin-American businesses, one of which is no longer owned by Siemens.

As previously reported, in August 2013, a Brazilian Appellate Court upheld a decision to suspend Siemens Ltda. Brazil from participating in public tenders and signing contracts with public administrations in Brazil for a five year term, based on alleged irregularities in calendar 1999 and 2004 public tenders. Siemens has further appealed the decision. In March 2014, upon request of Siemens Ltda., Siemens Ltda.'s exclusion from public tenders and contracts was temporarily suspended until a final court decision is reached.

Civil litigation

As previously reported, Siemens AG reached a settlement with nine out of eleven former members of the Managing and Supervisory Board in December 2009. The settlement relates to claims of breaches of organizational and supervisory duties in view of the accusations of illegal business practices that occurred in the course of international business transactions in calendar 2003 to 2006 and the resulting financial burdens for the Company. In January 2010, Siemens AG filed a lawsuit with the Munich District Court I against the two former board members who were not willing to settle, Dr. Thomas Ganswindt and Heinz-Joachim Neubürger. In January 2013, Siemens AG agreed on a settlement with Dr. Thomas Ganswindt. In December 2013 the Munich District Court ordered Mr. Neubürger to pay €15 million to Siemens AG. Siemens AG was ordered to transfer 16,588 shares of Siemens AG based on stock awards for fiscal 2004 and 2005 plus dividends to Mr. Neubürger, subject to Mr. Neubürger's payment of €15 million to Siemens AG. Mr. Neubürger appealed against the judgment.

ANTITRUST PROCEEDINGS

As previously reported, in April 2007, Siemens AG and former VA Tech companies filed actions before the European Court of First Instance in Luxemburg against the decisions of the European Commission dated January 24, 2007, to fine Siemens and former VA Tech companies for alleged antitrust violations in the European Market of high-voltage gas-insulated switchgear between calendar 1988 and 2004. Gas-insulated switchgear is electrical equipment used as a major component for power substations. The fine imposed on Siemens AG amounted to €396.6 million and was paid by the Company in calendar 2007. The fine imposed on former VA Tech companies, which Siemens AG acquired in July 2005, amounted to €22.1 million. In addition, former VA Tech companies were declared jointly liable with Schneider Electric for a separate fine of €4.5 million. In March 2011, the European Court of First Instance dismissed the case regarding the fine imposed on Siemens AG and recalculated the fines for the former VA Tech companies. Former VA Tech companies were declared jointly liable with Schneider Electric for a fine of €8.1 million. Siemens AG and former VA Tech companies appealed the decision in May 2011. In December 2013, the European Court of Justice upheld the €396.6 million fine against Siemens AG. In April 2014, the European Court of Justice confirmed the fine of €4.5 million originally imposed by the European Commission against former VA Tech companies and Schneider Electric. Corresponding charges against Siemens in New Zealand were dismissed by the High Court of New Zealand in October 2010, while investigations and proceedings in Brazil, the Czech Republic and Slovakia into comparable possible antitrust violations continue.

As previously reported, in September 2011, the Israeli Antitrust Authority requested Siemens to present its legal position regarding an alleged anti-competitive arrangement between April 1988 and April 2004 in the field of gas-insulated switchgear. In September 2013, the Israeli Antitrust Authority concluded that Siemens AG was a party to an illegal restrictive arrangement regarding the Israeli gas-insulated switchgear market between 1988 and 2004, with an interruption from October 1999 to February 2002. The Company appealed against this decision in May 2014.

Based on the above mentioned conclusion of the Israeli Antitrust Authority, two electricity consumer groups filed each a motion to certify a class action for cartel damages against a number of companies including Siemens AG with an Israeli District Court in September 2013. Both class actions seek compensation for alleged damages, which are claimed to be in a range of €400 million to €600 million. In January 2014, Siemens agreed to a motion filed by another defendant to dismiss one of the motions to certify a class action, based on an almost full overlap between two motions to certify a class action. In addition, the Israel Electric Corporation (IEC) filed at the end of December 2013 a separate claim for damages with the Israeli state court against Siemens AG and other companies that allegedly formed a cartel in the Israeli gas insulated switchgear market in the amount of approximately €800 million. Siemens AG is defending itself against the actions.

In connection with a decision of the European Commission rendered in January 2007 regarding antitrust violations in the high-voltage gas-insulated switchgear market, which has become binding and final, claims are being made against Siemens. Among others, a claim was filed by National Grid Electricity Transmission Plc. (National Grid) with the High Court of England and Wales in November 2008. 21 companies have been named as defendants, including Siemens AG and various of its subsidiaries. National Grid originally asserted claims in the aggregate amount of approximately £249 million for damages and compound interest. In November 2012, National Grid increased the aggregate amount to £364 million due to accrued compound interest. In February 2014 National Grid reduced the aggregate amount to £276 million. The Parties are no longer in dispute with each other and have settled the High Court action.

As previously disclosed, in May 2013, Siemens Ltda. Brazil entered into a leniency agreement with the Administrative Council for Economic Defense (CADE) and other relevant authorities relating to possible antitrust violations in several Brazilian metro transport projects. The Company is cooperating with the authorities. It cannot be excluded that significant cartel damages claims will be brought by customers or the state against Siemens based on the outcome of the investigations. In March 2014, CADE commenced administrative proceedings, confirming Siemens' immunity from administrative fines for the reported potential misconduct. In March 2014, Siemens was informed that the Public Prosecutor's Office of the State of São Paulo has initiated criminal proceedings into alleged violations of Brazilian antitrust law against a number of individuals including current and former Siemens employees. Siemens Brazil is cooperating with the authorities. To this end, in March 2014, it signed an agreement with the Public Prosecutor's Office of the State of São Paulo that formalizes and structures the cooperation in investigations relating to contracts in the subway and rail sector.

In May 2014 the Public Affairs Office (Ministerio Público) of the State of São Paulo initiated a law suit against Siemens Brazil as well as other companies and several individuals in the amount of BRL2.5 billion (approximately €800 million) in relation to a train refurbishment project that is not part of the above cooperation agreement. Siemens was served with the law suit in July 2014. A technical note issued by Brazilian cartel authority CADE earlier this year had not identified any anticompetitive wrongdoing by Siemens in relation to this project. Siemens defends itself against the action.

OTHER PROCEEDINGS

As previously reported, Siemens AG is a member of a supplier consortium that has been contracted to construct the nuclear power plant "Olkiluoto 3" in Finland for Teollisuuden Voima Oyj (TVO) on a turnkey basis. Siemens AG's share of the consideration to be paid to the supplier consortium under the contract is approximately 27%. The other member of the supplier consortium is a further consortium consisting of Areva NP S.A.S. and its wholly-owned subsidiary, Areva GmbH. The agreed completion date for the nuclear power plant was April 30, 2009. Completion of the power plant has been delayed for reasons which are in dispute. In December 2011, the supplier consortium informed TVO that the completion of the plant is expected in August 2014. In February 2013, TVO announced that it is preparing for the possibility that the start of regular electricity production of the plant may be postponed until calendar year 2016. In February 2014, TVO announced that it has not received an updated schedule for the completion of the plant and that it therefore will not provide an estimate for the start-up time of the plant at the moment. The schedule and the additional delay of the start-up time are currently under assessment. The final phases of the plant completion require the full cooperation of all parties involved. In December 2008, the supplier consortium filed a request for arbitration against TVO demanding an extension of the construction time, additional compensation, milestone payments, damages and interest. In June 2011, the supplier consortium increased its monetary claim to €1.94 billion. TVO rejected the claims and made counterclaims against the supplier consortium consisting primarily of damages due to the delay. In June 2012, the arbitral tribunal rendered a partial award ordering the release of withheld milestone payments to the supplier consortium of approximately €101 million plus interest. As of September 2012, TVO's alleged counterclaims amounted to €1.59 billion based on a delay of up to 56 months. The further delay beyond 56 months (beyond December 2013) could lead TVO to further increase its counterclaims. Based on a completion in August 2014 as reported in December 2011, TVO estimates that its counterclaims amount to €1.77 billion. In October 2013, the supplier consortium increased its claim for an extension of construction time and its monetary claims to €2.71 billion. The arbitration proceedings may continue for several years.

As previously reported, Siemens is involved in the construction of a power plant in the United States. Siemens Energy, Inc., USA, and Kvaerner North American Construction, Inc., USA (Kvaerner) are consortium partners in this project, purchased by Longview Power LLC, USA (Longview). Foster Wheeler North America Corp, USA (Foster Wheeler) supplied the boiler for the project. Kvaerner filed an arbitration request before the American Arbitration Association in June 2011, and in October and November 2012, the parties filed claims for monetary damages against one another. In May 2014 the parties updated their claims. The amounts claimed by Longview and Foster Wheeler from the consortium partners range from US$417 million to US$645 million. Siemens claims monetary damages of approximately US$121 million against Longview and Foster Wheeler. Kvaerner reduced its claims and is now claiming approximately US$243 million from Longview and Foster Wheeler. Longview filed for bankruptcy under Chapter 11 of the US Bankruptcy Code, which has resulted in delays to the arbitration proceeding dealing with the claim and counterclaim.

As previously disclosed, in October 2013 Essent Wind Nordsee Ost Planungs- und Betriebsgesellschaft mbH filed a request for arbitration against Siemens AG alleging violations of a contract for the delivery of a High Voltage Substation entered into by the parties in 2010. The claimant claims damages in an amount of €256 million plus interest and a determination that Siemens AG shall be liable for any further damages, which are claimed to amount to €152 million. Siemens AG filed a motion to dismiss the request for arbitration. In addition, Siemens filed counterclaims of €48 million plus interest and requested a determination concerning compensation for all future damages.

Siemens Industrial Turbomachinery Ltd., UK, was informed during fiscal 2014 of a lawsuit that was filed with an Iranian Court. Siemens has not yet been served. The alleged claims relate to damages for alleged violations of contractual obligations and are not quantified. Siemens will defend itself against the action.

NOTE 11 Financial instruments

Fair values and carrying amounts of financial assets and financial liabilities are:

(in millions of €)	June 30, 2014 Fair value	June 30, 2014 Carrying amount	September 30, 2013 Fair value	September 30, 2013 Carrying amount
Financial assets measured at cost or amortized cost				
Trade and other receivables[1]	12,742	12,742	12,944	12,944
Receivables from finance leases	5,129	5,129	5,261	5,261
Cash and cash equivalents	8,210	8,210	9,190	9,190
Other non-derivative financial assets	12,761	12,761	11,126	11,126
Available-for-sale financial assets[2]	–	185	–	167
Financial assets measured at fair value				
Available-for-sale financial assets	2,367	2,367	1,994	1,994
Derivative financial instruments	2,331	2,331	2,330	2,330
Financial liabilities measured at cost or amortized cost				
Notes and bonds	18,236	17,626	18,742	18,491
Trade payables	6,757	6,757	7,599	7,599
Loans from banks and other financial indebtedness	4,691	4,706	1,821	1,832
Obligations under finance leases	161	124	167	130
Other non-derivative financial liabilities	1,607	1,607	1,651	1,651
Financial liabilities measured at fair value				
Derivative financial instruments	1,094	1,094	1,047	1,047

1 Consists of (1) €12,723 million and €12,932 million trade receivables as of June 30, 2014 and September 30, 2013, respectively, as well as (2) €19 million and €11 million receivables included in line item Other financial assets as of June 30, 2014 and September 30, 2013, respectively.

2 Consists of available-for-sale equity instruments recognized at cost since a fair value could not be reliably measured.

The carrying amounts of cash and cash equivalents, trade and other receivables, fixed-rate and variable-rate receivables including receivables from finance leases, trade payables, other current financial liabilities and borrowings under revolving credit facilities represent a reasonable approximation of their fair values.

The following table allocates financial assets and financial liabilities measured at fair value to the three levels of the fair value hierarchy.

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for assets or liabilities not based on observable market data.

(in millions of €)	Level 1	Level 2	Level 3	Total
				June 30, 2014
Financial assets measured at fair value				
Available-for-sale financial assets[1]	1,976	391	–	2,367
Derivative financial instruments	–	2,331	–	2,331
Total	**1,976**	**2,722**	**–**	**4,698**
Financial liabilities measured at fair value				
Derivative financial instruments	–	1,094	–	1,094

1 Level 1: Available-for-sale financial assets mainly relate to equity instruments.

(in millions of €)	Level 1	Level 2	Level 3	Total
				September 30, 2013
Financial assets measured at fair value				
Available-for-sale financial assets[1]	1,884	110	–	1,994
Derivative financial instruments	–	2,330	–	2,330
Total	**1,884**	**2,440**	**–**	**4,324**
Financial liabilities measured at fair value				
Derivative financial instruments	–	1,047	–	1,047

1 Level 1: Available-for-sale financial assets mainly relate to equity instruments.

In the nine months ended June 30, 2014, there were no changes in valuation techniques used and no transfers from one level of the fair value hierarchy to another level.

NOTE 12 Share-based payment

Total pretax expense for share-based payment recognized in line item Income from continuing operations amounted to €34 million and €33 million in the three months ended June 30, 2014 and 2013, respectively, and to €145 million and €134 million in the nine months ended June 30, 2014 and 2013, respectively. They refer primarily to equity-settled awards.

STOCK AWARDS

Commitments to members of the Managing Board

The remuneration system for the Managing Board was revised by the Supervisory Board, effective as of fiscal 2014, which is explained in detail in the Compensation Report within Siemens' Annual Report as of September 30, 2013.

In fiscal 2014 and 2013, agreements were entered into which entitle members of the Managing Board to stock awards contingent upon attaining an EPS-based target. The fair value of these entitlements amounting to €5 million and €6 million, respectively, in fiscal 2014 and 2013 was determined by calculating the present value of the target amount.

In fiscal 2014 and 2013, agreements were entered into which entitle members of the Managing Board to stock awards contingent upon attaining a prospective performance-based target of Siemens stock relative to five competitors (for fiscal 2014 Philips was replaced by Alstom). The fair value of these entitlements amounts to €4 million and €7 million, respectively, in fiscal 2014 and 2013.

In fiscal 2014 and 2013, agreements were entered into which entitle members of the Managing Board to Bonus Awards. The fair value of these entitlements amounting to €2 million and €5 million, respectively, in fiscal 2014 and 2013 was determined by calculating the present value of the target amount.

Commitments to members of the senior management and other eligible employees

In the nine months ended June 30, 2014 and 2013, 769,049 and 1,308,171 stock awards, respectively, were granted to members of the senior management and other eligible employees contingent upon attaining an EPS-based target. The fair value of these stock awards amounts to €62 million and €85 million, respectively, in fiscal 2014 and 2013; the fair value corresponds to the target amount representing the EPS target attainment.

In the nine months ended June 30, 2014 and 2013, 652,162 and 849,908 stock awards, respectively, were granted to members of the senior management and other eligible employees contingent upon attaining a prospective performance-based target of Siemens stock relative to five competitors. The fair value of these stock awards amounts to €56 million and €53 million, respectively, in fiscal 2014 and 2013, of which €40 million and €41 million relate to equity instruments.

The following table shows the changes in the stock awards held by members of the senior management and other eligible employees:

	Nine months ended June 30, 2014 Awards	2013 Awards
Non-vested, beginning of period	4,876,455	4,217,588
Granted	1,421,211	2,158,079
Vested and transferred	(1,041,376)	(1,073,355)
Forfeited	(100,948)	(71,187)
Settled	(127,964)	(13,653)
Non-vested, end of period	**5,027,378**	**5,217,472**

SHARE MATCHING PROGRAM AND ITS UNDERLYING PLANS

In the nine months ended June 30, 2014 and 2013, Siemens issued a new tranche under each of the following plans: the Share Matching Plan, the Monthly Investment Plan and the Base Share Program. The Managing Board decided that shares acquired under the Monthly Investment Plan issued in fiscal 2013 are transferred to the Share Matching Plan effective February 2014. Under the Base Share Program the Company incurred pretax expense from continuing operations of €32 million and €31 million, respectively, in the nine months ended June 30, 2014 and 2013.

Entitlements to Matching Shares

	Nine months ended June 30, 2014 Entitlements to Matching Shares	2013 Entitlements to Matching Shares
Outstanding, beginning of period	1,733,497	1,545,582
Granted	609,320	713,245
Vested and transferred	(437,989)	(351,548)
Forfeited	(73,845)	(58,780)
Settled	(52,973)	(28,140)
Outstanding, end of period	**1,778,010**	**1,820,359**

Fair value was determined as the market price of Siemens shares less the present value of expected dividends during the vesting period as matching shares do not carry dividend rights during the vesting period. Non-vesting conditions, i.e. the condition neither to transfer, sell, pledge nor otherwise encumber the underlying shares, were considered in determining the fair value. In fiscal 2014 and 2013, the weighted average grant date fair value of the resulting matching shares is €73.00 and €57.77 per share, respectively, based on the number of instruments granted.

NOTE 13 Earnings per share

(in millions of €, shares in thousands; earnings per share in €)	Three months ended June 30, 2014	2013	Nine months ended June 30, 2014	2013
Income from continuing operations	1,371	1,006	3,909	3,092
Less: Portion attributable to non-controlling interest	(27)	(25)	(81)	(57)
Income from continuing operations attributable to shareholders of Siemens AG	1,344	981	3,828	3,035
Weighted average shares outstanding – basic	845,218	843,107	845,002	844,046
Effect of dilutive share-based payment	8,122	8,273	8,411	8,398
Weighted average shares outstanding – diluted	853,340	851,380	853,412	852,444
Basic earnings per share (from continuing operations)	**€1.59**	€1.16	**€4.53**	€3.60
Diluted earnings per share (from continuing operations)	**€1.57**	€1.15	**€4.49**	€3.56

At June 30, 2014 and 2013, the dilutive earnings per share computation does not contain 21,674 thousand shares relating to warrants issued with bonds. The inclusion of those shares would have been antidilutive in the years presented. In the future, the warrants could potentially dilute basic earnings per share.

NOTE 14 Segment information

Segment information is presented for continuing operations. For accounting policies of Segment information, see ↗ NOTE 36 SEGMENT INFORMATION OF THE NOTES TO THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2013.

As of October 1, 2013, a non-current available-for-sale financial asset measured at fair value of €721 million as of October 1, 2013, was retrospectively reclassified from segment Infrastructure & Cities to Equity Investments.

RECONCILIATION TO SIEMENS' CONSOLIDATED FINANCIAL STATEMENTS

The following table reconciles total Assets of the reportable segments to Total assets of Siemens' Consolidated Statements of Financial Position:

(in millions of €)	June 30, 2014	Sep. 30, 2013
Assets of Sectors	25,863	24,027
Assets of Equity Investments	2,677	2,488
Assets of SFS	20,144	18,661
Total segment assets	**48,684**	**45,175**
Reconciliation:		
Assets Centrally managed portfolio activities	(226)	(234)
Assets SRE	4,621	4,747
Assets of Corporate items and pensions	(12,002)	(11,160)
Eliminations, Corporate Treasury and other reconciling items of Segment information:		
Asset-based adjustments:		
Intragroup financing receivables and investments	37,389	40,850
Tax-related assets	3,855	3,924
Liability-based adjustments:		
Post-employment benefits	10,473	9,173
Liabilities	37,749	39,336
Eliminations, Corporate Treasury, other items [1]	(27,687)	(29,875)
Total Eliminations, Corporate Treasury and other reconciling items of Segment information	61,779	63,407
Total assets in Siemens' Consolidated Statements of Financial Position	**102,856**	**101,936**

1 Includes assets and liabilities reclassified in connection with discontinued operations.

In the nine months ended June 30, 2014 and 2013, Corporate items and pensions in the column Profit includes €202 million and €124 million expenses, respectively, related to corporate items, as well as €297 million and €316 million expenses, respectively, related to pensions. Corporate items also include effects from legal and regulatory matters.

ADDITIONAL SEGMENT INFORMATION

In the three months ended June 30, 2014 and 2013, Profit of SFS includes interest income of €244 million and €230 million, respectively, and interest expense of €92 million and €76 million, respectively. In the nine months ended June 30, 2014 and 2013, Profit of SFS includes interest income of €712 million and €655 million, respectively, and interest expense of €249 million and €239 million, respectively.

Beginning with the second quarter of fiscal 2014, Siemens reports results related to an equity investment in phase with results of Siemens, rather than with the lag of one quarter. Due to the one-time catch-up effect associated with this change, profit for the first nine months of fiscal 2014 therefore includes results related to this equity investment for four quarters rather than the usual three. This one-time catch up effect increased income from investments accounted for using the equity method by €59 million.

NOTE 15 Related party transactions

Joint ventures and associates – Siemens has relationships with many joint ventures and associates in the ordinary course of business whereby Siemens buys and sells a wide variety of products and services generally on arm's length terms.

The transactions with joint ventures and associates were as follows:

	Sales of goods and services and other income		Purchases of goods and services and other expenses	
	Three months ended June 30,		Three months ended June 30,	
(in millions of €)	2014	2013	2014	2013
Joint ventures	58	72	3	2
Associates	129	248	45	49
	187	**320**	**48**	**52**

	Sales of goods and services and other income		Purchases of goods and services and other expenses	
	Nine months ended June 30,		Nine months ended June 30,	
(in millions of €)	2014	2013	2014	2013
Joint ventures	172	221	7	9
Associates	535	751	135	162
	707	**972**	**142**	**171**

	Receivables		Liabilities	
(in millions of €)	June 30, 2014	Sep. 30, 2013	June 30, 2014	Sep. 30, 2013
Joint ventures	48	54	24	12
Associates	117	222	391	121
	165	**276**	**415**	**133**

As of June 30, 2014 and September 30, 2013, guarantees to joint ventures and associates amounted to €2,821 million and €2,789 million, respectively, including the HERKULES obligations of €1,490 million and €1,890 million, respectively.

Pension Entities – For information regarding the funding of our pension plans, see → NOTE 6 POST-EMPLOYMENT BENEFITS.

NOTE 16 Managing Board and Supervisory Board

Barbara Kux's appointment as a full member of the Managing Board expired at the end of November 16, 2013. Peter Y. Solmssen left the Managing Board by mutual agreement effective December 31, 2013. The employment contract with Mr. Solmssen remains in force until the end of the agreed contract term. However, Mr. Solmssen was irrevocably released from his contractual obligations resulting from the employment contract effective January 1, 2014. The Company will fulfill its contractual obligations until March 31, 2015.

As successor to Dr. Josef Ackermann, who resigned from the Supervisory Board effective September 30, 2013, Jim Hagemann Snabe had initially been appointed to the Supervisory Board by court order until the end of the Annual Shareholders' Meeting in 2014 and was then elected by the Shareholders' Meeting as a shareholder representative on the Supervisory Board for the remainder of Dr. Ackermann's term of office.

As successor to Prof. Dr. Rainer Sieg, who left the Supervisory Board effective February 28, 2014, Michael Sigmund was appointed to the Supervisory Board by court order as an executive employee representative.

On May 6, 2014, the Supervisory Board appointed Lisa Davis to the Managing Board effective August 1, 2014. Dr. Michael Süß resigned from the Managing Board by mutual agreement with immediate effect.

As successor to Lothar Adler, who left the Supervisory Board effective May 31, 2014, Olaf Bolduan was appointed to the Supervisory Board by court order as an employee representative.

E. Additional information

E.1 Review report

To Siemens Aktiengesellschaft, Berlin and Munich

We have reviewed the condensed interim consolidated financial statements comprising the consolidated statements of income, comprehensive income, financial position, cash flows and changes in equity, and notes to the condensed interim consolidated financial statements, and the interim group management report, of Siemens Aktiengesellschaft, Berlin and Munich for the period from October 1, 2013 to June 30, 2014 which are part of the quarterly financial report pursuant to Sec. 37x (3) WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany) and in supplementary compliance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU, and that the interim group management report is not prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed a financial statement audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Munich, July 31, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Spannagl	Prof. Dr. Hayn
Wirtschaftsprüfer	Wirtschaftsprüfer

E.2 Quarterly summary

		FY 2014			FY 2013			
		3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Revenue	in millions of €	17,921	17,097	16,975	20,803	18,611	17,457	17,545
Income from continuing operations	in millions of €	1,371	1,160	1,378	1,097	1,006	958	1,128
Net income	in millions of €	1,399	1,153	1,457	1,068	1,098	1,030	1,214
Free cash flow (continuing and discontinued operations)	in millions of €	1,048	1,402	(699)	4,336	1,053	1,335	(1,395)
Free cash flow (continuing operations)	in millions of €	1,127	1,464	(584)	4,352	996	1,354	(1,312)

Basic earnings per share (continuing and discontinued operations)	in €	1.62	1.33	1.70	1.19	1.27	1.20	1.42
Basic earnings per share (continuing operations)	in €	1.59	1.34	1.60	1.23	1.16	1.11	1.32
Diluted earnings per share (continuing and discontinued operations)	in €	1.61	1.32	1.68	1.18	1.26	1.18	1.40
Diluted earnings per share (continuing operations)	in €	1.57	1.32	1.59	1.21	1.15	1.10	1.31
Siemens stock price [1]								
High	in €	100.25	101.35	100.25	90.33	85.87	86.88	82.99
Low	in €	93.59	89.30	88.71	77.50	76.00	76.83	76.19
Period-end	in €	96.45	97.70	99.29	89.06	77.65	84.03	82.20
Siemens stock performance on a quarterly basis								
Compared to DAX®	in %-points	(4.18)	1.47	0.34	10.35	(9.70)	3.60	0.42
Compared to MSCI World	in %-points	(6.13)	0.25	3.49	10.16	(8.24)	(1.73)	3.43
Number of shares issued	in millions	881	881	881	881	881	881	881
Market capitalization [2]	in millions of €	81,197	82,667	83,842	75,078	65,440	70,864	69,274
Credit rating of long-term debt								
Standard & Poor's Ratings Services		A+	A+	A+	A+	A+	A+	A+
Moody's Investors Service		Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3

1 Xetra closing price, Frankfurt. 2 On the basis of outstanding shares.

E.3 Financial calendar[1]

06 November 2014

Fourth-quarter results and preliminary figures for fiscal 2014

27 January 2015

Annual Shareholders' Meeting for fiscal 2014

1 Provisional. Updates will be published at: WWW.SIEMENS.COM/FINANCIAL-CALENDAR

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