SIEMENS

Munich, Germany, July 30, 2015

Earnings Release Q3 FY 2015

April 1 to June 30, 2015

Solid Q3 performance, softening market environment

»Overall our businesses delivered solid underlying profitability despite a softening market environment. We expect to maintain our momentum with a strong closing quarter for fiscal 2015,« said Joe Kaeser, President and Chief Executive Officer of Siemens AG.

- Third-quarter orders up 4% year-over-year, at €19.9 billion, including a €1.6 billion order in Mobility; excluding currency translation and portfolio effects, orders down 5%
- Revenue 8% higher at €18.8 billion, for a book-to-bill ratio of 1.05; revenue 3% lower on a comparable basis
- Industrial Business profit level, at €1.8 billion; strong improvements in Energy Management and Healthcare largely offset by a decline in Power and Gas
- Net income at €1.4 billion; basic earnings per share (EPS) increased to €1.65, up from €1.62 in Q3 FY 2014
- At the end of the quarter, the Power and Gas Division closed its acquisition of Dresser-Rand, substantially expanding its offerings for the oil and gas industry and distributed power generation

Siemens

(in millions of €)	Q3 FY 2015	Q3 FY 2014	% Change Actual	% Change Comp.
Orders	19,858	19,110	4%	(5)%
Revenue	18,844	17,518	8%	(3)%
Profit Industrial Business	1,823	1,807	1%	
therein: severance	*(173)*			
Profit margin Industrial Business	9.5%	10.1%		
excl. severance	*10.4%*			
Income from continuing operations	1,245	1,345	(7)%	
therein: severance	*(274)*			
Net income	1,376	1,399	(2)%	
Basic earnings per share (in €)	1.65	1.62	2%	
Free cash flow (continuing and discontinued activities)	684	1,048	(35)%	
ROCE (continuing and discontinued activities)	14.0%	17.2%		

- Third-quarter volume growth influenced strongly by currency translation tailwinds, which added eight percentage points to order and nine percentage points to revenue development
- €1.6 billion long-term order for train maintenance in Mobility and order growth in Healthcare, Energy Management, Digital Factory and Building Technologies
- Industrial Business order backlog rose to €110 billion, including €2.3 billion related to Dresser-Rand acquisition
- Reported revenue increase driven by double-digit growth in Healthcare, Energy Management, Digital Factory and Building Technologies
- Within Industrial Business profit, strong improvements in Energy Management and Healthcare largely offset by a decline in Power and Gas
- Continued increase in selling and R&D expenses as planned, particularly evident in Power and Gas and Digital Factory
- Profit development benefited from positive currency effects, particularly in Healthcare
- Severance charges for continuing operations were €274 million with €173 million taken within Industrial Business
- Income from continuing operations: decline due mainly to negative swings in Corporate items, which took €97 million in severance charges, and in Centrally managed portfolio activities (CMPA)
- Net income: income from discontinued operations increased due mainly to positive tax effects related to previously divested businesses
- Free cash flow: decline was driven by lower Free cash flow in Industrial Business of €1.163 billion compared to €1.571 billion in Q3 FY 2014, largely due to project business in Wind Power and Renewables as well as Power and Gas
- Underfunding of Siemens' pension plans as of June 30, 2015 decreased significantly due mainly to a higher discount rate assumption to €8.9 billion (March 31, 2015: €11.0 billion)
- Siemens issued US$7.75 billion (€7.1 billion) bonds with different maturities up to 30 years; cash outflows related to the acquisition of Dresser-Rand, net of cash acquired, were US$ 7.6 billion (€6.8 billion)

Power and Gas

	Q3		% Change	
(in millions of €)	FY 2015	FY 2014	Actual	Comp.
Orders	3,571	4,093	(13)%	(22)%
Revenue	3,213	3,184	1%	(15)%
Profit	289	543	(47)%	
therein: severance	*(41)*			
Profit margin	9.0%	17.0%		
excl. severance	*10.2%*			

- Dresser-Rand acquisition closed on June 30, 2015
- Acquisition of Rolls-Royce Energy aero-derivative gas turbine and compressor business (Rolls-Royce) between the periods under review added three percentage points to order and eight percentage points to revenue development
- Orders down compared to the strong growth in prior-year quarter
- Slight revenue increase benefited from currency translation and portfolio effects
- Profit includes charges of €106 million related to a project resulting from higher costs for materials and from customer delays, partly offset by positive effects related to other projects
- Continuing challenges resulting in increased price pressure and overcapacities

Wind Power and Renewables

	Q3		% Change	
(in millions of €)	FY 2015	FY 2014	Actual	Comp.
Orders	693	2,007	(65)%	(70)%
Revenue	1,416	1,426	(1)%	(9)%
Profit	51	41	26%	
therein: severance	*(2)*			
Profit margin	3.6%	2.9%		
excl. severance	*3.8%*			

- Low level of large orders; Q3 FY 2014: €1.6 billion order for an offshore wind-farm in the Netherlands
- Revenue decline in the onshore business; revenue growth in the offshore and service businesses

Energy Management

	Q3		% Change	
(in millions of €)	FY 2015	FY 2014	Actual	Comp.
Orders	3,464	3,076	13%	1%
Revenue	2,964	2,575	15%	6%
Profit	110	(67)	n/a	
therein: severance	*(30)*			
Profit margin	3.7%	(2.6)%		
excl. severance	*4.7%*			

- Order growth driven primarily by the solutions business which won large contracts in the Middle East
- Revenue up in all businesses and in all three reporting regions
- Siemens handed over the remaining two of the original four North Sea grid connection platforms to the customer; Q3 FY 2014 included project charges of €155 million related mainly to these projects

Building Technologies

(in millions of €)	Q3 FY 2015	Q3 FY 2014	% Change Actual	% Change Comp.
Orders	1,544	1,338	15%	5%
Revenue	1,496	1,359	10%	0%
Profit	119	108	11%	
therein: severance	*(11)*			
Profit margin	8.0%	7.9%		
excl. severance	*8.7%*			

- Orders up in all three reporting regions; U.S. the main growth driver
- Revenue growth due to the services and products businesses, partly held back by a decline in the solution business
- Profit development included a more favorable business mix and improved productivity, which more than offset impacts from substantial appreciation of the Swiss franc between the periods under review

Mobility

(in millions of €)	Q3 FY 2015	Q3 FY 2014	% Change Actual	% Change Comp.
Orders	2,821	1,263	123%	117%
Revenue	1,817	1,852	(2)%	(9)%
Profit	105	145	(28)%	
therein: severance	*(30)*			
Profit margin	5.8%	7.8%		
excl. severance	*7.4%*			

- €1.6 billion long-term order for maintenance of trains in Russia
- Revenue growth in the infrastructure and service businesses; as expected, lower revenue overall due to timing of large rail projects
- Profitability benefited from an improved revenue mix; profit in Q3 FY 2014 included a €27 million positive effect

Digital Factory

(in millions of €)	Q3 FY 2015	Q3 FY 2014	% Change Actual	% Change Comp.
Orders	2,536	2,232	14%	6%
Revenue	2,499	2,266	10%	3%
Profit	436	404	8%	
therein: severance	*(10)*			
Profit margin	17.4%	17.9%		
excl. severance	*17.8%*			

- Orders and revenue up in all businesses, led by industry software, and in all three reporting regions
- Excluding currency translation effects, volume in China declined as the country experiences weaker growth dynamics
- Higher profit on increased revenue; lower margin includes higher R&D and selling expenses targeted at future growth

Process Industries and Drives

	Q3		% Change	
(in millions of €)	FY 2015	FY 2014	Actual	Comp.
Orders	2,295	2,600	(12)%	(19)%
Revenue	2,509	2,414	4%	(4)%
Profit	165	189	(12)%	
therein: severance	*(33)*			
Profit margin	6.6%	7.8%		
excl. severance	*7.9%*			

- Substantially lower volume from large orders in the region comprising Europe, C.I.S., Africa, Middle East and weaker demand in commodity-related industries, especially oil & gas, mining, metals and cement
- Revenue in all businesses and all three reporting regions benefited from currency translation tailwinds

Healthcare

	Q3		% Change	
(in millions of €)	FY 2015	FY 2014	Actual	Comp.
Orders	3,318	2,897	15%	4%
Revenue	3,246	2,788	16%	5%
Profit	549	445	23%	
therein: severance	*(16)*			
Profit margin	16.9%	16.0%		
excl. severance	*17.4%*			

- Orders and revenue up in all businesses, led strongly by imaging and therapy systems businesses and benefiting from currency translation tailwinds
- All regions contributed to volume growth except for orders in Asia, Australia, which included a large order in China in Q3 FY 2014
- Profitability lifted by currency tailwinds

Financial Services

	Q3	
(in millions of €)	FY 2015	FY 2014
Income before income taxes	116	122
therein: severance	–	
ROE (after taxes)	15.7%	18.4%

(in millions of €)	Jun 30, 2015	Sep 30, 2014
Total assets	24,951	21,970

- Higher interest results associated with growth in total assets were more than offset by a higher level of credit hits compared to the prior-year quarter
- Despite substantial early terminations of financings, total assets have increased since the end of fiscal 2014, including positive currency translation effects

Reconciliation to Consolidated Financial Statements

Profit

	Q3	
(in millions of €)	FY 2015	FY 2014
Centrally managed portfolio activities	(47)	48
Siemens Real Estate	91	67
Corporate items	(93)	71
Centrally carried pension expense	(119)	(103)
Amortization of intangible assets acquired in business combinations	(131)	(117)
Eliminations, Corporate Treasury and other reconciling items	(76)	(87)
Reconciliation to Consolidated Financial Statements	**(373)**	**(120)**

- Centrally managed portfolio activities (CMPA): were impacted by a number of items; Q3 FY 2014 included equity investment income related to Siemens' stake in BSH Bosch und Siemens Hausgeräte GmbH which was divested between the periods under review
- Results of CMPA may be volatile in coming quarters
- Corporate items: included €97 million in severance charges; influenced also by a decrease of the fair value of warrants issued together with US$3 billion in bonds in fiscal 2012, which depends on the underlying Siemens and OSRAM share prices as well as their respective volatilities

Outlook

We confirm our outlook. We believe that our business environment will be complex in fiscal 2015, among other things due to geopolitical tensions. We expect revenue on an organic basis to remain flat year-over-year, and orders to exceed revenue for a book-to-bill ratio above 1. Furthermore, we expect that gains from divestments will enable us to increase basic EPS from net income by at least 15% from €6.37 in fiscal 2014. For our Industrial Business, we expect a profit margin of 10% to 11%. This outlook excludes impacts from legal and regulatory matters.

Notes and forward-looking statements

Starting today at 9:00 a.m. CEST, the combined press and analyst conference call for the publication of our financial figures with Siemens CEO Joe Kaeser and Siemens CFO Ralf P. Thomas will be broadcast live on the internet. Journalists can follow the conference call and the presentation on the internet at www.siemens.com/conferencecall, analysts at www.siemens.com/analystcall. A recording of the conference will subsequently be made available under both links.

Financial Publications are available for download at: www.siemens.com/ir → Publications & Events.

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

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

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

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