

|| | 1. Financial framework

We've set out to increase our Company's value on a sustainable basis. To measure our progress, we use a balanced system of defined financial performance indicators. We've further refined the range of the One Siemens indicators we've reported to date:

| **Growth**

Our aim is to outpace the average growth rate of our most relevant competitors.

| **Capital efficiency**

We've set ourselves an ambitious target corridor of 15% to 20% for sustainable return on capital employed.

| **Total cost productivity**

We want to continuously optimize our costs and achieve total cost productivity gains of 3% to 5% a year.

| **Capital structure**

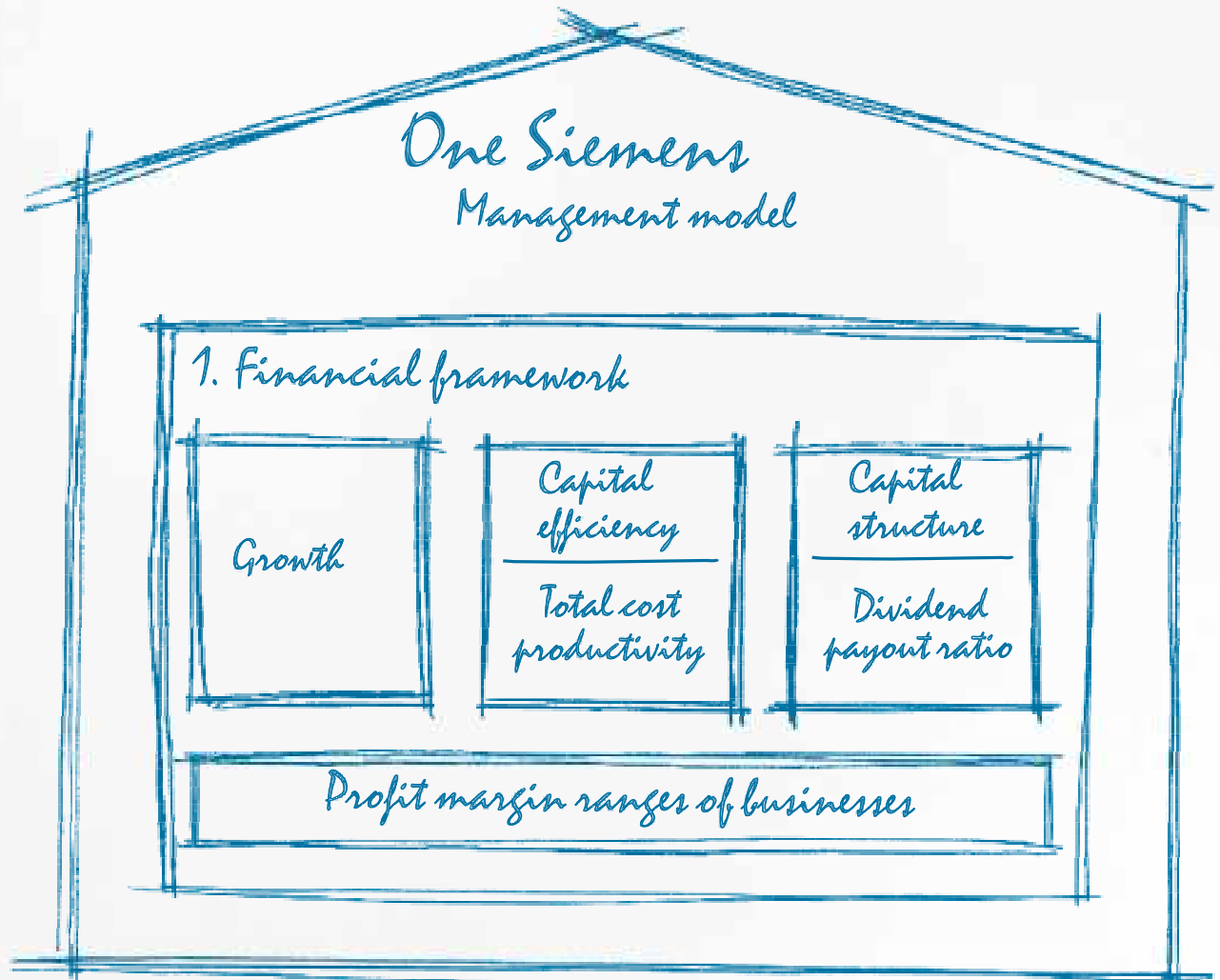
We've set ourselves a goal for our capital structure that will enable us to maintain our very solid and efficient financial basis.

| **Dividend payout ratio**

We want to achieve an attractive payout ratio of 40% to 60% of net income.

| **Profit margin ranges of businesses**

At the level of our businesses, we've defined individual margin ranges based on the profitability of the most relevant competitors of each business.

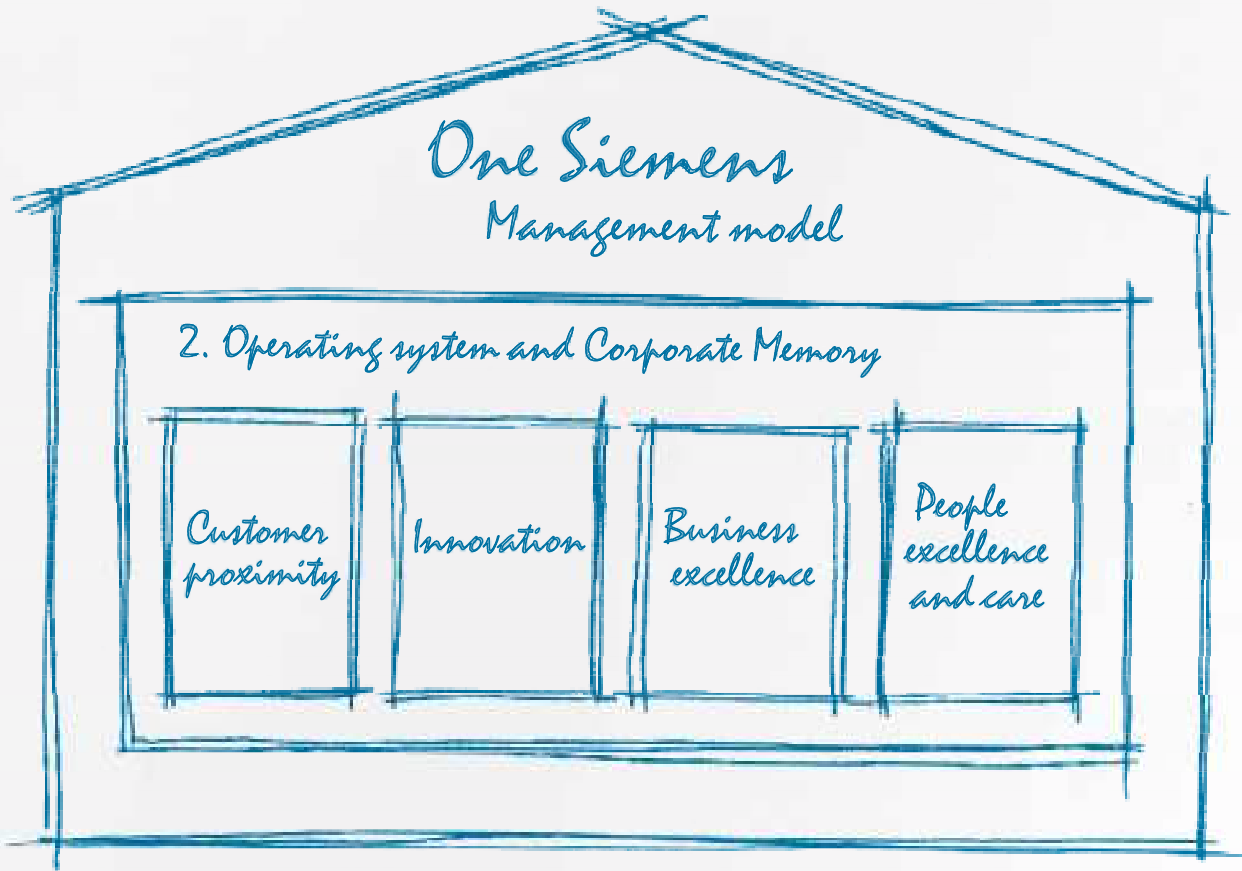


|| | 2. Operating system and Corporate Memory

Doing the right things right – that's what a strategy's implementation depends on. To manage a company effectively, efficiently and thus successfully, you've got to set clear priorities, have the right tools and base your work on clear goals and rules. Our One Siemens operating system delivers these prerequisites and sets the priorities for:

- | **Customer proximity**
- | **Innovation**
- | **Business excellence**
- | **People excellence and care**

We're bundling all the insights that help us improve our business operations into a new type of knowledge management. This Corporate Memory isn't limited to databases and methodologies. It's also anchored in our organization. Why? Because it's the only way we can draw the right conclusions – from highly successful projects as well as from earlier failures.



To implement its strategy and ensure its continued development, a company needs an operating system that defines principles for the excellent management of its businesses and determines appropriate action areas. Our operating system, One Siemens, sets the following four priorities:



Customer proximity

Profitable growth is based on proximity to our customers and on an understanding of their individual requirements. To meet and exceed our customers' expectations, we invest in local sales presence and support for specific groups of market partners. Our key account management approach is just one successful example of this. We're represented in virtually every country in the world by Regional Companies that operate as local partners to our customers. We also exploit our in-depth knowledge of customer processes and continually develop our offerings for key verticals in a targeted manner – across organizational boundaries. To regularly gauge the satisfaction of our customers around the world, we use a uniform measure, the Net Promoter Score (NPS).



Innovation

Innovation is essential for ensuring long-term competitiveness. This applies to our entire portfolio of products, solutions and services. Added value for our customers is based increasingly on software and IT solutions. As a result, we've made this field a particular focus of our attention – for example, through research and development activities in software architecture and platforms. Tools such as partner networks are enabling us to manage highly effective innovation processes and an open innovation culture. We're concentrating on new technology-driven growth areas as well as innovative business models.

Business excellence

We want to do an excellent job of managing our businesses while pursuing our aim of continuous improvement. For this, we've developed outstanding tools as part of our Company-wide *top⁺* movement – tools that we will apply with even greater rigor in the future. These tools enable us, for instance, to benchmark our performance against the best and to increase our productivity. Tightening our risk management approach is helping us identify project risks while still in the bidding phase and thus avoid costly project delays. Last but not least, we're fostering our service business across organizational boundaries, for example, by developing service platforms.



People excellence and care

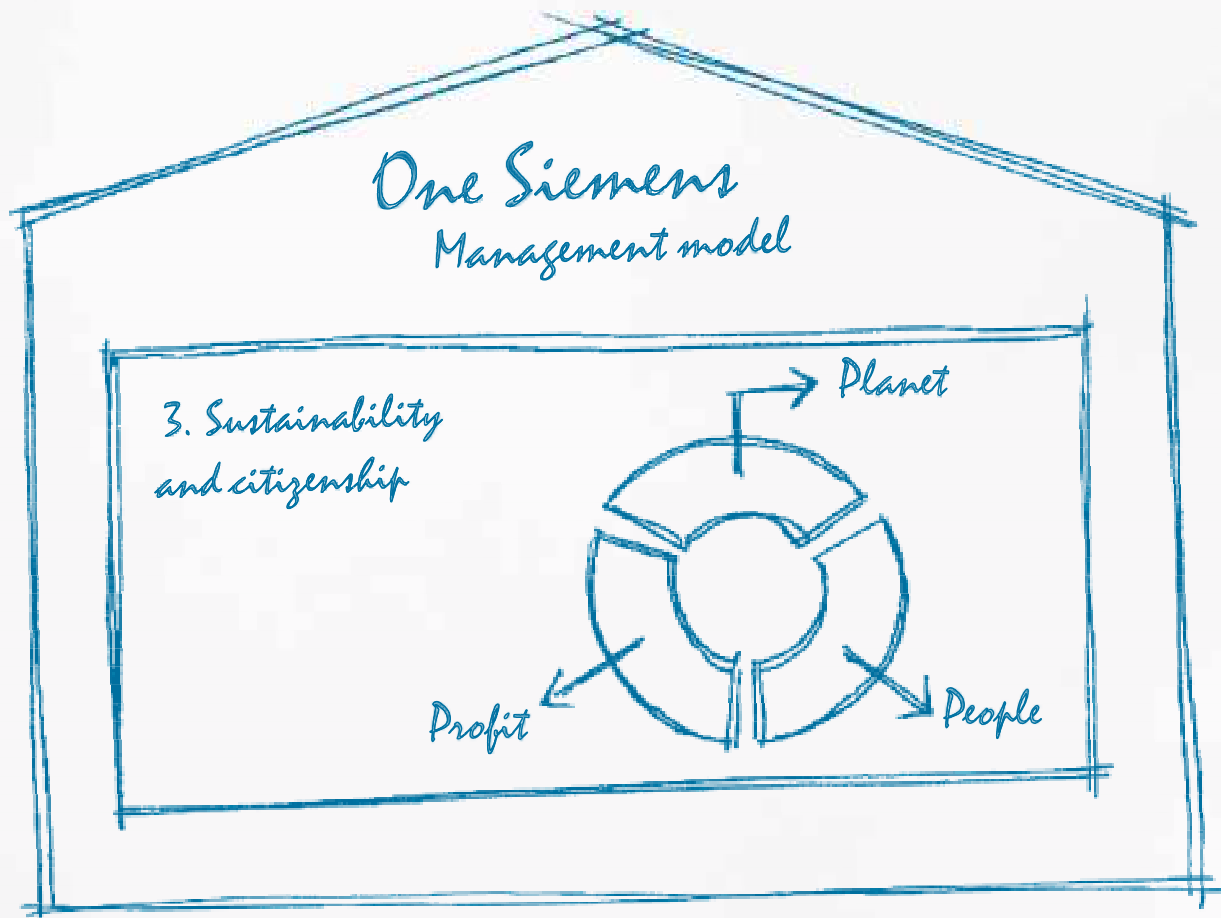
Excellent employees are the heart and soul of Siemens. That's how it's always been. And we want it to be even more so in the future. Therefore, we're anchoring an ownership culture at our Company. For us, this is not an abstract idea but a concrete goal that we're pursuing with measures we can track. After all, the behavior, motivation and values of the people who work for Siemens mold our culture. In an attractive working environment, we promote lifelong learning and personal development. Integrity – supported by a well-established compliance system – remains the principle that guides our conduct. Our share programs are enabling us to increase employee participation in our Company's success while bringing us closer every day to a lived ownership culture.

|| | 3. Sustainability and citizenship

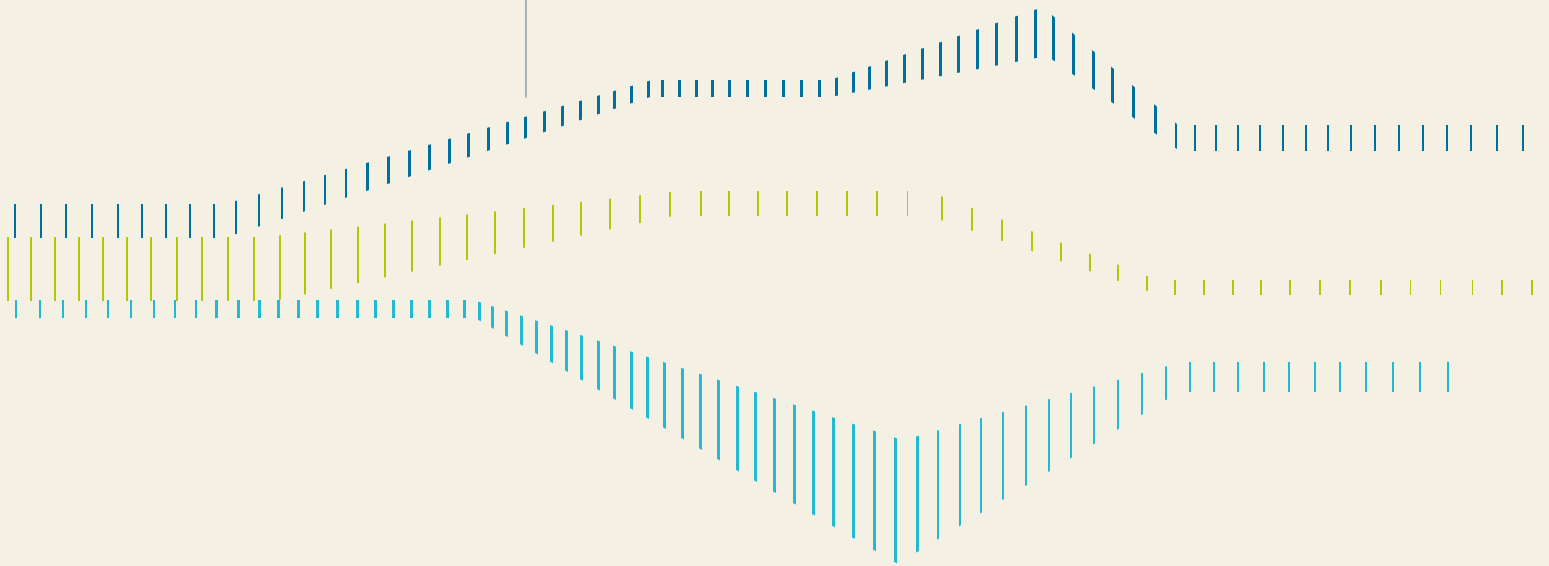
Together with our customers and partners, we want to shape the future by making real what matters and addressing the global issues and trends that are truly crucial. Driven by our passion for engineering excellence, we're committed to the values of our Company's founder. Guiding us for over 165 years, his maxim – "I won't sell the future of my Company for a short-term profit" – demands that we maintain a healthy balance between profit, planet and people.

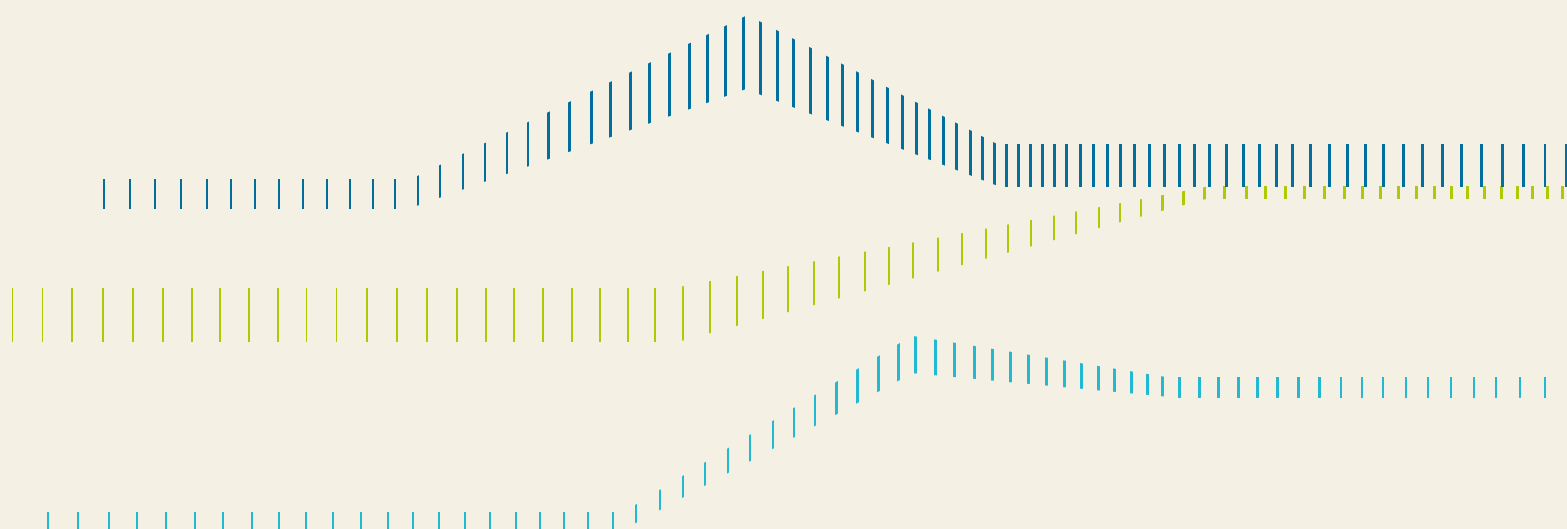
- | **Profit** – by offering a range of products, solutions and services that makes a difference worldwide, because it provides our customers with decisive competitive advantages and strengthens our profitability over the long term.
- | **Planet** – by utilizing our planet's limited resources responsibly and by enabling our customers to improve their own environmental performance.
- | **People** – by living a culture that strengthens our employees' sense of responsibility worldwide, fosters their development and places integrity at the center of our Company's activities. As good corporate citizens, we're also contributing to the sustainable development of society through our portfolio, our local presence worldwide and our role as a thought leader.

What we create is yours. For the benefit of our customers and for the societies in which we live and work. Yesterday, today and in the future. That's what ensures our long-term entrepreneurial success. That's what we understand by sustainability. And that's what we mean when we say, "We make real what matters."



Company Report 2014





Financial Report
2014

Volume

		FY 2014	FY 2013	Actual	% Change Comparable ²	Further information
Continuing operations						
Orders	in millions of €	78,350	79,755	(2)%	1%	→ Page 193
Revenue	in millions of €	71,920	73,445	(2)%	1%	→ Page 193

Profitability and Capital efficiency

		FY 2014	FY 2013	% Change	Further information
Total Sectors					
Adjusted EBITDA	in millions of €	9,103	8,131	12%	→ Page 202
Total Sectors profit	in millions of €	7,335	5,842	26%	→ Page 202
in % of revenue (Total Sectors)	in %	10.0	7.9		
Continuing operations					
Adjusted EBITDA	in millions of €	9,139	8,097	13%	→ Page 202
Income from continuing operations	in millions of €	5,400	4,179	29%	→ Page 201
Basic earnings per share ³	in €	6.24	4.81	30%	→ Page 309
Return on capital employed (ROCE)	in %	17.2	13.7		→ Page 188
Continuing and discontinued operations					
Net income	in millions of €	5,507	4,409	25%	→ Page 201
Basic earnings per share ³	in €	6.37	5.08	25%	→ Page 202
Return on capital employed (ROCE)	in %	17.3	13.5		→ Page 188

Capital structure and Liquidity

		September 30, 2014	September 30, 2013	Further information
Cash and cash equivalents	in millions of €	8,013	9,190	→ Page 210
Total equity (Shareholders of Siemens AG)	in millions of €	30,954	28,111	→ Page 212
Industrial net debt	in millions of €	1,390	2,805	→ Page 189
Industrial net debt/ adjusted EBITDA (continuing operations)		0.15	0.35	→ Page 189

		FY 2014	FY 2013	Further information
Continuing operations				
Free cash flow	in millions of €	5,399	5,378	→ Page 207
Continuing and discontinued operations				
Free cash flow	in millions of €	5,201	5,328	→ Page 207

¹ October 1, 2013 – September 30, 2014.

² Excluding currency translation and portfolio effects.

³ Basic earnings per share – attributable to shareholders of Siemens AG. For fiscal 2014 and 2013 weighted average shares outstanding (basic) (in thousands)

amounted to 843,449 and 843,819 shares, respectively.

|| | Customers and Innovation

		FY 2014	FY 2013	Further information
Revenue generated by the Environmental Portfolio ¹	in billions of €	33.0	31.9	→ Page 221
in % of revenue from continuing operations	in %	46	43	
Research and development expenses ¹	in billions of €	4.1	4.0	→ Page 219
in % of revenue from continuing operations	in %	5.7	5.5	
Research and development employees ^{1,2}	in thousands	28.8	28.1	→ Page 219
Inventions ^{1,3}	in thousands	8.6	8.3	→ Page 219
Patent first filings ^{1,4}	in thousands	4.3	4.0	→ Page 219

|| | Environment

		FY 2014	FY 2013	Further information
Accumulated annual customer reductions of carbon dioxide emissions generated by elements from the Environmental Portfolio ¹	in millions of metric tons	428	369	→ Page 221
Energy efficiency improvement compared to baseline in fiscal 2010 ¹	in %	11	5	→ Page 222
Waste efficiency improvement compared to baseline in fiscal 2010 ¹	in %	12	8	→ Page 222
Waste for disposal reduction compared to baseline in fiscal 2010 ¹	in %	8	10	→ Page 222
Carbon dioxide emission efficiency improvement compared to baseline in fiscal 2010 ¹	in %	20	14	→ Page 222

|| | Employees

		Sep. 30, 2014	Sep. 30, 2013	Further information
Total employees – continuing operations	in thousands	343	348	→ Page 216
Europe, C.I.S., ⁵ Africa, Middle East	in thousands	211	215	→ Page 173
<i>therein Germany</i>	in thousands	115	117	
Asia, Australia	in thousands	62	61	→ Page 173
Americas	in thousands	70	72	→ Page 173
Total employees – continuing and discontinued operations	in thousands	357	367	

		FY 2014	FY 2013	Further information
Employee turnover rate ^{6,7}	in %	9.1	10.8	→ Page 216
Female employees in management positions (percentage of all management positions) ^{6,8}	in %	15.6	15.6	→ Page 216
Expenses for continuing education ^{6,9}	in millions of €	276	265	→ Page 216
Expenses per employee for continuing education ^{6,9}	in €	769	670	→ Page 216

1 Continuing operations.

2 Average number of employees in fiscal year.

3 Number of inventions reported by the Business Units in an internal report.

4 First filings as part of inventions submitted to patent offices.

5 Commonwealth of Independent States.

6 Continuing and discontinued operations.

7 Employee turnover rate is defined as the ratio of voluntary and involuntary exits from Siemens during the fiscal year to the average number of employees.

8 Employees in management positions include all managers with disciplinary responsibility, plus project managers.

9 Without travel expenses.

Berlin and Munich, December 3, 2014

Dear Shareholders,

In fiscal 2014, we worked hard, we were highly focused, and we achieved a great deal. Despite a complex geopolitical situation, our overall results for the year were very good. We increased profit by 25%, tackled a great many issues and improved our operations, even though in some areas we could have been even more successful. Above all, we gave our Company a new setup based on our Vision 2020 and defined the direction we'll be taking in the years ahead.

We're proud of what we've achieved so far, particularly because the circumstances have been anything but favorable: global economic development was very uneven in fiscal 2014, and with more than 40 critical hotspots around the world, political uncertainties were greater than they'd been in decades. That's why we were right when we decided not to pin our hopes on a global economic recovery but to exploit our own strengths.

For fiscal 2014, we reported net income of €5.5 billion, with revenue totaling €71.9 billion and orders €78.4 billion. We thus reached the targets we'd originally set for the year and exceeded our goal for profit development while making substantial progress in strengthening our portfolio. These achievements will enable us to propose a dividend of €3.30 to the Annual Shareholders' Meeting. Siemens is and will remain a good investment. We stand for a long-term, reliable and attractive dividend policy and will remain a company with a rock-solid financial basis.

Nevertheless, our performance could have been even better. The high charges on which we again focused considerable attention in fiscal 2014 are not what Siemens stands for. We're working hard to improve our risk management, and we expect to see successes already in fiscal 2015.

Fiscal 2014 was a year of upheaval for our Company. Our Company-wide Vision 2020 concept is paving the way to the future. Vision 2020 defines a clear strategic direction for the "new Siemens." We're positioning our Company in strategically attractive growth fields and demonstrating a clear focus as we gear our setup to these fields.



| **Joe Kaeser** |

President and
CEO of Siemens AG