

# SIEMENS

Interim Report

June 30, 2000

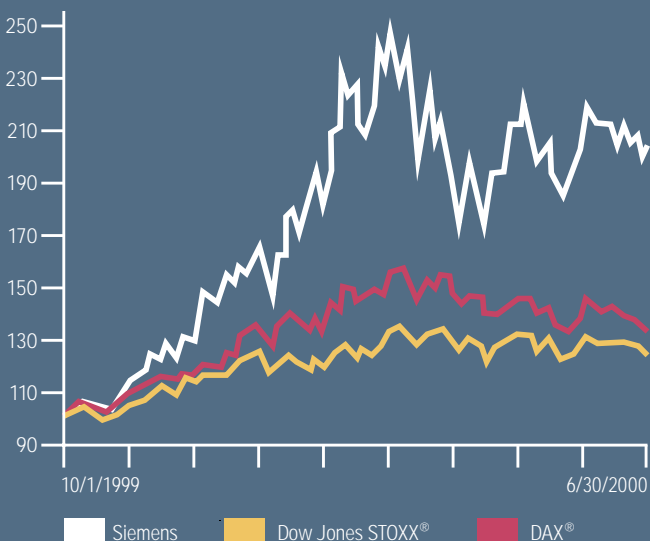
## Stock market information (in €)

	2000 <sup>1)</sup>	1999 <sup>2)</sup>	1998 <sup>2)</sup>
<b>Stock price range</b> XETRA closing prices, Frankfurt			
<b>High</b>	191.51	86.30	70.87
<b>Low</b>	75.98	40.39	46.17
<b>Period-end</b>	158.00	77.40	47.19
<b>Number of shares</b> (period-end) (in millions)	591	595	595
<b>Market capitalization</b> (period-end) (in millions of €)	93,334	46,037	28,068

<sup>1)</sup> October 1, 1999 – June 30, 2000

<sup>2)</sup> Fiscal year: October 1 – September 30

## Stock price development (indexed)



Dear shareholder,

This interim report reviews developments at your company in the third quarter of fiscal 2000.

Once again we have made solid progress across the board. Earnings doubled over the same period last year, and both sales and new orders showed double-digit growth.

We have put e-business at the top of our agenda, and will seize every opportunity to have it generate value in all of our operations.

Our goal is sustained profitability. Not just to benefit you, our shareholders, but our customers and employees as well.

# BUSINESS PERFORMANCE

Siemens continued its strong performance in the third quarter (April 1 – June 30, 2000) of the current fiscal year. Aftertax earnings before extraordinary items more than doubled compared to the same period in fiscal 1999. We also achieved double-digit growth in sales and orders, despite extensive divestments.

Operations continued to improve sharply, driven by higher earnings in the Information and Communications segment, at Medical Engineering and at Infineon Technologies AG (Infineon).

The following information presents results for Operations separately from those for Financing and Real Estate and for our domestic Pension Fund, because these three components of Siemens are distinctly different in terms of goals and requirements.

All figures in this interim report are stated in euros, which became Siemens' corporate currency on the first day of fiscal 2000.

## HIGHLIGHTS

- Aftertax earnings before extraordinary items rose to €832 million for the third quarter and to €2.237 billion for the first nine months of fiscal 2000. Both totals are more than double those of the same periods in fiscal 1999.
- Earnings before interest and taxes (EBIT) from Operations climbed 87% to €1.167 billion, compared to the third quarter of fiscal 1999. Infineon alone contributed EBIT of €366 million. EBIT for the first nine months rose to €3.324 billion.
- Extraordinary items after taxes for the first nine months totaled €4.605 billion, the same as for the first half year, because the divestments were closed in the first two quarters of fiscal 2000.
- Sales for the third quarter climbed 19% to €18.8 billion, aided by positive currency translation effects. Following the same trend, orders rose 27% to €20.9 billion. Sales and orders for Siemens worldwide in the first nine months showed double-digit growth, rising to €54.3 billion and €59.9 billion, respectively.

## OPERATIONS

Improvement in Operations drove the substantial increase in Siemens' net income, compared to the third quarter of fiscal 1999. The 19% and 27% growth in sales and new orders, respectively, came despite divestments that reduced Operations' overall business base against the same period last year. On a comparable basis, disregarding divestments and acquisitions, sales grew 26% and new orders 34%. Benefiting from the strength of the U.S. dollar and the British pound, currency translation effects positively influenced sales by four percentage points. Nine-month figures for sales and new orders were also impacted by the divestments and benefited from favorable currency exchange rates.

Additional details for Operations are provided in the following section.

In the **Energy** segment, *Power Generation (KWU)* continued its upward trend of recent quarters and achieved a significant positive EBIT for the third quarter. Results were fueled by a 40% growth in sales due to high U.S. billings and growing sales in Asia and South America. Third-quarter orders nearly doubled, driven by ongoing demand for gas turbine power plants in the U.S. For the first nine months of fiscal 2000, the previous year's low EBIT nearly doubled, orders rose 39% and sales climbed 20%. *Power Transmission and Distribution (EV)* billed fewer major projects in the third quarter than it did a year ago, resulting in reduced figures for sales and EBIT. Over the nine-month period, however, the Group showed a 20% increase in EBIT. Sales for the period remained at last year's level, while new orders increased 20%.

In the **Industry** segment, *Automation and Drives (A&D)* was able to build on last year's high EBIT for both the third quarter and the first nine months, while new orders and sales continued to grow at double-digit rates. Third-quarter EBIT at *Industrial Projects and Technical Services (ATD)* stayed at last year's level. The Group's EBIT rose 16% for the first nine months of fiscal 2000, accompanied by a 2% growth in orders and 7% increase in sales. *Production and Logistics Systems (PL)* more than doubled its third-quarter EBIT compared to fiscal 1999, showing strong sales growth as well. New orders declined due to fewer major projects. For the first nine months, the Group nearly tripled its EBIT over fiscal 1999, and

achieved healthy growth in both sales and orders. *Siemens Building Technologies (SBT)* showed double-digit growth rates, nearly doubled its third-quarter EBIT and generated a 69% increase in its nine-month EBIT.

The **Information and Communications** segment, our largest business area, continued to lead Siemens in both sales and earnings. Following the segment's strategic realignment on April 1 this year, our financial information is restated for the third quarter and the first nine months of the previous year. *Information and Communication Networks (ICN)* achieved strong EBIT growth for both the third quarter and the first nine months. The Group also benefited from its venture capital investments, by realizing gains on sales of equity interests in start-up companies. Third-quarter results include first-time consolidation of the businesses we took over when we ended our Italtel S.p.A. joint venture with Telecom Italia, helping new orders climb 24% and sales 30%. *Information and Communication Mobile (ICM)* topped its strong third quarter of fiscal 1999 with sales growth of 49% and EBIT growth of 57%. Much of this growth resulted from a boom in the Group's mobile phone equipment and infrastructure businesses. *Siemens Business Services (SBS)* further improved its performance, delivering a positive EBIT in the third quarter slightly below last year's level. Sales grew 17% with help from the first-time consolidation of Entex Information Services, Inc., a U.S. provider of enterprise IT services, acquired in the third quarter. During the first nine months, EBIT more than doubled, sales rose 19% and new orders increased 6%.

Within our **Transportation** segment, *Transportation Systems (VT)* continued its positive trend and recorded a positive EBIT in the third quarter, reversing a loss in the same period of fiscal 1999. Sales jumped 65% on the strength of major project billing, while new orders doubled compared to last year's relatively low level. The trend of the first nine months confirmed the strength of VT's improvements. Ongoing investment in new diesel injection and navigation systems at *Automotive Systems (AT)* reduced its EBIT for both the third quarter and the first nine months. In contrast, sales grew 16% on strong demand in international markets, especially from NAFTA countries and South Korea.

The **Health Care** segment maintained the pace of its growth and profitability. Highly innovative new products, rigorous expense control and positive currency translation effects enabled *Medical Engineering (Med)* to increase its EBIT 53% and sales 19% over the same quarter last year. For the first nine months, EBIT climbed 69% and sales rose 18%.

The **Lighting** segment continued the trend of recent quarters with increased EBIT and sales growth. *Osram* benefited from innovative products with above-average growth rates and earnings, and also from positive currency translation effects due to the strong U.S. dollar.

**Infineon** achieved an excellent EBIT for the third quarter, one year after showing a slight positive result. Substantial productivity gains, strong demand in all market segments, as well as favorable semiconductor prices drove sales growth and profitability, helping Infineon achieve the highest EBIT of all Siemens' operating Groups for the first nine months of fiscal 2000. In the same period last year, Infineon showed a loss.

## **FINANCING AND REAL ESTATE**

Our Financing and Real Estate business delivered high pretax earnings, significantly improving on the small loss posted in the third quarter last year. *Siemens Financial Services (SFS)* continued to increase its business volume as well as profitability, both for the third quarter and for the first nine months of fiscal 2000. The Group showed a loss in the third quarter of the previous year. *Siemens Real Estate Management (SIM)* also recorded strong earnings growth for the third quarter and the first nine months, substantially benefiting from real estate sales conducted as part of its asset management program.

## **PENSION FUND**

In line with its long-term target, the Pension Fund balanced its pretax earnings both for the third quarter and the first nine months of fiscal 2000.

## **CAPITAL SPENDING**

In the first nine months, Siemens' investments worldwide increased 25% to €4.419 billion. Infineon accounted for approximately €1 billion of that total. The 38% increase in purchases of investments and noncurrent marketable securities to €1.428 billion is partly attributable to acquisitions in the process automation field (Moore Products Corp. and Milltronics, Ltd.) and in the financing business (Schroder Leasing Group). Additions to intangible assets, property, plant and equipment, and equipment leased to customers grew 19% to €2.991 billion.

## **OUTLOOK**

Assuming that business trends remain favorable, Siemens projects a significant increase in its business volume for fiscal 2000 and even stronger growth in aftertax earnings before extraordinary items. We expect our earnings growth rate for the full year to be somewhat lower than for the first three quarters, because exceptionally high earnings in the last quarter of fiscal 1999 will squeeze this year's fourth-quarter growth rate. We also anticipate a positive EVA before extraordinary items for the fiscal year as a whole.

As we reported in our semiannual report, continued economic growth in major world markets and an associated increase in demand for electrical and electronics components could lead to supply delays for some of our operating units. This could effect the performance of certain operating units later in the fiscal year.

*This interim report contains forward-looking statements based on beliefs of Siemens' management. The words "anticipate," "believe," "estimate," "forecast," "expect," "intend," "plan" and "project" are used to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to risks and uncertainties. Many factors could cause the actual results to be materially different, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products, lack of acceptance of new products or services and changes in business strategy. Actual results may vary materially from those projected here. Siemens does not intend or assume any obligation to update these forward-looking statements.*



# KEY FIGURES

Periods ended June 30

## New orders (in billions of euros)

	2000		1999	
	3 <sup>rd</sup> Quarter	9 months	3 <sup>rd</sup> Quarter	9 months
<b>Total</b>	<b>20.9</b>	<b>59.9</b>	<b>16.5</b>	<b>49.9</b>
German operations	4.3	13.2	4.3	14.4
International operations	16.6	46.7	12.2	35.5

## Sales (in billions of euros)

	2000		1999	
	3 <sup>rd</sup> Quarter	9 months	3 <sup>rd</sup> Quarter	9 months
<b>Total</b>	<b>18.8</b>	<b>54.3</b>	<b>15.8</b>	<b>47.1</b>
German operations	4.4	13.2	4.2	13.3
International operations	14.4	41.1	11.6	33.8

## Earnings / EBIT (in millions of euros)

	2000		1999	
	3 <sup>rd</sup> Quarter	9 months	3 <sup>rd</sup> Quarter	9 months
Aftertax earnings before extraordinary items	832	2,237	356	1,066
Extraordinary items after taxes		4,605		
EBIT from Operations	1,167	3,324	625	1,669

## Capital spending (in millions of euros)

	2000		1999	
	3 <sup>rd</sup> Quarter	9 months	3 <sup>rd</sup> Quarter	9 months
<b>Total</b>	<b>1,609</b>	<b>4,419</b>	<b>1,762</b>	<b>3,543</b>
Additions to intangible assets, property, plant and equipment, and equipment leased to customers	1,261	2,991	992	2,505
Purchases of investments and noncurrent marketable securities	348	1,428	770	1,038

## Employees (in thousands)

	6/30/2000	9/30/1999
<b>Total</b>	<b>436</b>	<b>443</b>
Germany	181	192
International	255	251

# SEGMENT INFORMATION

Periods ended June 30 (in millions of euros)

	New orders			
	2000		1999	
	3 <sup>rd</sup> Quarter	9 months	3 <sup>rd</sup> Quarter	9 months
<b>Operations</b>				
Power Generation (KWU)	2,615	6,509	1,340	4,678
Power Transmission and Distribution (EV)	785	2,689	690	2,244
Automation and Drives (A&D)	2,121	5,993	1,718	5,285
Industrial Projects and Technical Services (ATD)	995	3,072	978	3,025
Production and Logistics Systems (PL)	332	1,174	406	1,027
Siemens Building Technologies (SBT)	1,318	3,728	1,132	3,212
Information and Communication Networks (ICN) <sup>1)</sup>	2,886	8,644	2,335	7,136
Information and Communication Mobile (ICM) <sup>1)</sup>	2,624	7,560	1,382	3,995
Siemens Business Services (SBS) <sup>1)</sup>	1,334	3,960	1,356	3,729
Transportation Systems (VT)	705	2,424	293	1,513
Automotive Systems (AT)	993	2,889	855	2,455
Medical Engineering (Med)	1,182	3,466	1,026	2,917
Osram	1,065	3,221	912	2,715
Infineon <sup>2)</sup>	2,414	6,287	1,121	3,095
Passive Components and Electron Tubes (PR)			392	1,173
Electromechanical Components (EC)			245	696
Eliminations and other <sup>3)</sup>	(886)	(3,030)	(14)	(14)
<b>Total</b>	<b>20,483</b>	<b>58,586</b>	<b>16,167</b>	<b>48,881</b>
Reconciliation to financial statements <sup>4)</sup>				
<b>Earnings before taxes</b>				

<b>Financing and Real Estate</b>				
Siemens Financial Services (SFS)	89	257	74	196
Siemens Real Estate Management (SIM)	360	1,044	281	837
<b>Total</b>	<b>449</b>	<b>1,301</b>	<b>355</b>	<b>1,033</b>

## Pension Fund

New orders				
<b>Siemens worldwide</b>	<b>20,932</b>	<b>59,887</b>	<b>16,522</b>	<b>49,914</b>

<sup>1)</sup> Prior year amounts have been restated to reflect the segment's realignment on a retroactive basis. Resulting differences are included in "Eliminations and other".

<sup>2)</sup> Data based on US GAAP. Differences between US GAAP and HGB are included in "Eliminations and other". Prior year amounts have been restated to reflect these changes on a retroactive basis.

<sup>3)</sup> "Other" primarily refers to centrally managed equity investments (such as BSH Bosch and Siemens Hausgeräte GmbH and Epcos AG), liquid assets of Operations, corporate items relating to foreign subsidiaries, and corporate headquarters.

<sup>4)</sup> This item primarily reflects the difference between EBIT and EBT (which additionally includes consolidated net interest expense on debt outside SFS and SIM).

**Sales**

2000		1999	
3 <sup>rd</sup> Quarter	9 months	3 <sup>rd</sup> Quarter	9 months
1,968	5,564	1,405	4,638
700	2,150	790	2,152
1,984	5,643	1,759	5,072
1,004	2,945	910	2,758
471	1,215	313	831
1,142	3,426	1,006	2,894
2,740	7,977	2,109	6,731
1,862	6,002	1,251	3,559
1,349	4,061	1,156	3,401
1,160	2,930	701	1,963
993	2,889	855	2,455
1,147	3,366	966	2,846
1,065	3,221	912	2,715
1,830	4,903	1,098	2,927
		371	1,010
		211	601
(993)	(3,271)	(333)	(464)
<b>18,422</b>	<b>53,021</b>	<b>15,480</b>	<b>46,089</b>

**EBIT**

2000		1999	
3 <sup>rd</sup> Quarter	9 months	3 <sup>rd</sup> Quarter	9 months
40	102	4	54
18	90	26	75
217	630	192	529
13	74	15	64
54	118	22	41
72	183	39	108
161	474	62	210
193	720	123	122
15	78	20	38
18	59	(12)	(42)
30	90	37	117
133	362	87	214
101	309	88	257
366	863	14	(32)
		38	87
		1	4
(264)	(828)	(131)	(177)
<b>1,167</b>	<b>3,324</b>	<b>625</b>	<b>1,669</b>
66	(72)	(132)	(217)
<b>1,233</b>	<b>3,252</b>	<b>493</b>	<b>1,452</b>

**Earnings before taxes (EBT)**

89	257	74	196
360	1,044	281	837
<b>449</b>	<b>1,301</b>	<b>355</b>	<b>1,033</b>
35	112	(15)	48
95	169	11	46
<b>130</b>	<b>281</b>	<b>(4)</b>	<b>94</b>
<b>3</b>	<b>23</b>	<b>13</b>	<b>11</b>

**Sales**

<b>18,871</b>	<b>54,322</b>	<b>15,835</b>	<b>47,122</b>
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**Earnings before taxes (EBT)**

<b>1,366</b>	<b>3,556</b>	<b>502</b>	<b>1,557</b>
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## Siemens financial calendar\*

Preliminary figures for fiscal year	Nov. 8, 2000
Annual Press Conference	Dec. 14, 2000
Annual Shareholders' Meeting for fiscal 2000	Feb. 22, 2001

\* Preliminary dates

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Siemens Aktiengesellschaft

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