

Financial Performance Analysis of Siemens AG—A Multinational Corporate Perspective

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Abstract. Under the deepening economic globalization and evolving global regulatory rules, multinational industrial corporations are confronted with intertwined operational and financial challenges. Selecting Siemens AG as the case, this paper applies literature research and financial ratio analysis to assess its financial performance using data from fiscal year 2024 to 2025. The analysis covers four core dimensions: profitability, liquidity, efficiency and solvency. Findings indicate that Siemens keeps sound financial fundamentals. Higher operating costs harm its gross profit margin, but net profit grows steadily. Although the company's asset turnover is limited by capital-heavy businesses, it still has reliable solvency. Additionally, exchange rate volatility, cross-border financing pressure and the implementation of the global minimum tax create notable financial risks for Siemens' global operations. This article puts forward feasible risk prevention suggestions, including using natural hedging and adjusting currency flexibly to reduce exchange rate risks, increasing financing channels to mitigate cross-border financing problems, and developing a unified global minimum tax compliance system to cut unnecessary taxes. With these solutions, this paper aims to offer insights for peer multinational enterprises.

Keywords: Siemens AG, multinational corporation, financial performance, cross-border financial risk

1. Introduction

With rapid growth of economic globalization, multinational corporations are becoming core drivers of the global economy. By integrating digital technology with physical manufacturing, leading European industrial firms have built extensive networks covering production, sales and capital allocation across the world. Siemens AG, as a world-famous German industrial technology giant, boasts highly diversified business structure and global layout, which can represent typical European multinationals. In recent years, the global operating environment has become increasingly challenging. Rising operating costs have squeezed industry's gross profit margins. Meanwhile, exchange rates fluctuate and the new global minimum tax rule has brought great financial risks to companies with cross-border layouts. Therefore, analyzing Siemens' financial performance and potential risks is of great practical value for similar multinational firms.

Previous studies have established mature frameworks for financial ratio analysis, evaluating the profitability, liquidity and solvency of manufacturing companies [1]. Additionally, some scholars

have studied the financial characteristics of European manufacturing enterprises, along with measurement standards and influencing factors of turnover indicators, current ratios and debt-to-equity ratios in industrial companies [2]. Related research also explores the financial features of diversified multinationals and common exchange rate volatility, cross-border financing pressure and tax risks [3]. However, few studies conduct a comprehensive case analysis combining Siemens' business structure, global operations and multiple financial risks. Based on previous research, this paper takes Siemens as the research object, adopting literature analysis and quantitative methods to assess its financial status and risks and putting forward targeted suggestions to fill the research gap. The overall structure of this paper is arranged below: the next chapter introduces the company profile and multinational operations, followed by in-depth financial indicator analysis, risk discussion and targeted suggestions, and finally it comes to the research conclusions.

2. Siemens AG: company profile & multinational operations

2.1. Multinational operations

Siemens AG, headquartered in Berlin and Munich, Germany, is a global leading industrial technology company. Its main businesses include industry, infrastructure, mobility and healthcare, which connect the real and the digital worlds [4].

Siemens AG operates as a highly diversified multinational corporation, spanning its global footprint to over 190 countries and more than 280 production facilities, which are supported by approximately 318,000 employees worldwide [4]. It adopts international strategies based on global standardization and strong local adaptation. Among Siemens' international markets, Europe, the United States and China are its core regions, followed by high-growth emerging markets such as India and Southeast Asia. In FY2025, Siemens contributed to nearly 50% of revenue from Europe, the Middle East and Africa (EMEA), which accounted most, while the United States is its largest single country market.

2.2. Financial statement

As shown in Table 1, from FY2024 to FY2025, Siemens' revenue increased by 3.93% to €78,914million, while cost of sales increased by 5.22% to €48,515million and gross profit increased by 1.93%. It indicates that cost growth outpaced revenue growth at the operating level, which caused problems. Although income tax expenses rose by 7.8% year-on-year, the company's net profit after tax increased by 15.51%, reflecting solid overall profitability.

Table 1. Consolidated statements of income in millions of €, per share amounts in €s

Items	FY2025	FY2024
Revenue	78,914	75,930
Cost of sales	(48,515)	(46,107)
Gross profit	30,399	29,823
Income from continuing operations before income taxes	10,830	11,227
Income tax expenses	(2,501)	(2,320)
Income from continuing operations	8,328	8,907
Income from discontinued operations, net of income taxes	2,059	85
Net income	10,387	8,992

Data Source: Siemens AG, 2025

Main businesses of Siemens include smart infrastructure, digital industries, mobility, etc. From FY2024 to FY2025, revenue from smart infrastructure, mobility and Siemens Healthineers increased, while that from digital industries and Siemens Financial Services decreased. Performance varied across business segments, reflecting Siemens' diversified business structure. Therefore, according to Figure 1, in FY2025, digital industries, smart infrastructure and Siemens Healthineers are the three main revenue generators, accounting for 22.5%, 29.1% and 29.6% of the total revenue respectively.

Siemens AG Revenue of Segment
in FY2025

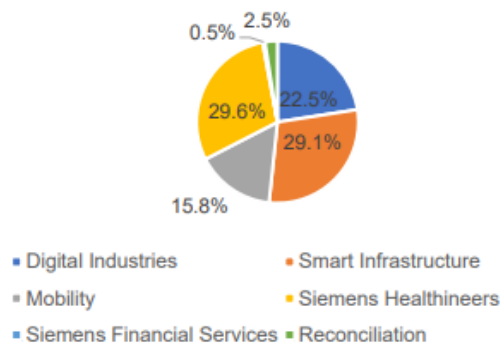


Figure 1. Siemens AG revenue of segment in FY2025

Picture credit: Original

3. Financial analysis of Siemens

3.1. Profitability

Gross profit is calculated by sales revenue minus cost of sales, representing a company's profitability when it sells products or provides services. Gross profit margin is related to the growth of sales revenue, showing how well the company sets product prices and controls production costs.

Siemens' gross profit in FY2025 is €30,399million, increasing by 1.93% from €29,823million in FY2024. The gross profit margin in FY2025 is about 38.52%, smaller than 39.28% the year before. In terms of electrical equipment industry, the average gross profit is about 0.94%. As Siemens has a significantly higher gross profit margin, it indicates that the company can effectively manage costs and price its products. The mild decline in gross profit margin was mainly driven by higher operating costs, while the overall profitability of the company's products remained sound. Taking all expenses and taxes into consideration, the total profit shows the net profit. Net profit margin evaluates profit growth, and the overall profitability of a company is known with the help of this indicator.

The net profit in FY2025 is €10,387million, higher than €8,992million in FY2024. Net profit margin in FY2025 is about 13.16%, larger than 11.84% the year before. The company can be marked as managing more efficiently if it has a larger net profit margin and, after deducting all expenses, it can make a substantial profit. However, Siemens' net profit margin is far lower than the average of 31.82%, which harms the profit. This problem is mainly due to the high cost of sales, which the company should reduce in the future.

Return on assets (ROA) is the ratio between the net profit and total assets of the company. This metric is used to assess a company's ability to utilize its assets to generate profits. According to Siemens' official website, the ROA in 2025 is 6.62%, which is significantly higher than the average ROA of approximately 1%. Therefore, Siemens uses its total assets efficiently to generate profit, creates stable returns on assets and lowers credit default risk due to bad debts.

In conclusion, Siemens can make a promising profit.

3.2. Liquidity

Working capital is a measure of a company's financial health in the short term with current assets subtracting current liabilities.

As shown in Siemens' financial statement, working capital is calculated as €17,450million in FY2025 and €17,440million in FY2024. It indicates that Siemens has enough current assets to cover current liabilities, remaining stable to a balance between liquidity and working capital efficiency at a high level. Therefore, the company is correctly growing the business with assets. A company's current assets are able to cover its current liabilities when its current ratio is bigger than 1. It indicates that the company can repay short-term debt and operate from day to day with enough liquidity.

In this case, current ratio in FY2025 is 1.37, slightly lower than 1.4 in FY2024, which is mainly due to a 6.62% increase in current liability and has few solvency problems. As both current ratios are above 1, Siemens has good liquidity. The Quick Ratio excludes inventory, an asset which cannot be cashable, and provides a more conservative indicator of liquidity. Siemens' quick ratio is approximately 1.15 in both FY2025 and FY2024. Compared with the slight decline of current ratio, the similar quick ratio indicates that inventories were sold quickly, which presents good liquidity. As the ratio is above 1, Siemens is able to pay off its debt faster in emergencies.

Therefore, Siemens' liquidity runs stably.

3.3. Efficiency

The accounts receivable turnover ratio is a measure of a company's collection efficiency, which indicates how often accounts receivable are collected and replaced within a period.

Since Siemens does not disclose credit sales separately, this analysis uses the operating revenue of €78,914million in FY2025 as a substitute for calculation. The results show that the annual accounts receivable turnover was 4.7 times average collection period of 77.68 days for average collection period. Compared with the average level of European industrial manufacturing peers, Siemens' accounts receivable turnover is within, indicating moderate cash collection from customers and good working capital efficiency.

Inventory turnover measures a company's inventory management efficiency, showing the frequency of inventory's sales and replacement during certain periods. Inventory turnover is 4.51 in FY2025, and the turnover period is 80.9 days. Therefore, with this high inventory turnover, Siemens can quickly turn inventory into sales, cut inventory backlogs and lower inventory costs.

Total asset turnover assesses the capability of a business using their assets to earn revenues. The total asset turnover can be calculated as 0.5 in 2025, and the turnover period is 726.21 days. It is moderate and reasonable among global industrial conglomerates, slightly above the industry average of 0.49 revealed by CSIMarket. The relatively low ratio is an inevitable result of its capital-heavy business portfolio covering industrial automation, medical equipment and rail transportation, as well

as the expansion of assets from recent mergers and acquisitions which locks up operating capital and restricts asset utilization efficiency.

To conclude, Siemens runs efficient businesses.

3.4. Solvency

The debt-to-equity ratio is about the proportion of debt and equity, which is related to business financing. Using equity sources for financing costs less than relying on debt resources [2].

Siemens' debt-to-equity ratio is 1.43 in FY2025 and 1.63 in FY2024. As the ratio is more than 1, debt financing accounts for a larger share of the company's capital structure than equity financing. However, as the debt-to-equity ratio descended from 2024 to 2025, the company has reduced its financial leverage and overall debt pressure. This is because the growth of equity is 21.59%, significantly outpacing the 6.83% increase in liabilities. Therefore, Siemens effectively lowered its reliance on debt financing and weakened financial risks, showing better solvency. Time interest earned evaluates how well the business can cover interest payments on incurred long-term liabilities.

This study uses Income from continuing operations before income taxes minus Net interest and other financial items to calculate EBIT, which is €9,992million in FY2025 and €10,419million in FY2024. Therefore, Siemens' time interest earned is 6.09 in FY2025 and 5.84 in FY2024. Although EBIT decreased year on year, the company cut interest expenses by 4.38% noticeably, leading to a higher ratio. A time interest earned ratio above 5 is widely regarded as a safe level for industrial conglomerates. As Siemens' figure is well above the warning line, its operating profits are more than sufficient to cover interest obligations, showing strong solvency. Thus, Siemens boasts strong solvency.

4. Financial risk and suggestions in Siemens' multinational operations

4.1. Exchange rate risk

Exchange rate volatility, one of the most important risks in multinational businesses, is discussed first [5]. As Siemens AG reports in euros but conducts business and settles payments in multiple currencies including US dollar, British pound and Chinese yuan, it faces fluctuations in foreign currency exchange rates.

In FY2025, euros appreciated against the US dollar, British pound and Chinese yuan significantly, which amplified adverse FX effects compared with a moderate one in FY2024 [6]. As shown in Table 2, there was a constant-currency revenue growth of 5%, differing visibly from nominal revenue growth of 3%, which curbs consolidated operating performance.

Table 2. Sensitivity of net income and equity

(in millions of €)		Sep 30, 2025			Sep 30, 2024		
	Change in currency	USD	GBP	CNY	USD	GBP	CNY
Effect on net income	+5%	11	(92)	7	(26)	21	(4)
	(5) %	(111)	92	(7)	26	(21)	4
Effect on equity	+5%	(24)	(47)	(14)	(12)	(60)	(6)
	(5) %	24	47	14	12	60	6

Data Source: Siemens AG, 2025

In addition, translated earnings from overseas subsidiaries declined due to currency translation adjustments. Such volatility undermined the stability of Siemens' cross-border revenue conversion, cash flow generation and consolidated profitability.

4.2. Cross-border financing risk

Siemens AG's global financing structure exposes the group to cross-border financing risks, including interest rate volatility, currency mismatch and refinancing pressure [7]. Persistently high global interest rates increased cross-border interest expenses, while euro appreciation in 2025 enlarged the euro-equivalent value of foreign-currency liabilities. For instance, changing the interest rates by 1 basis point would have caused the open interest rate position to alter €20million and €18million each. The tightening regional credit and rising local financing premiums in emerging markets further increased the cost of project financing and intercompany capital transfers. Finally, the growing mismatch between foreign-currency revenue and external debt weakened the group's short-term liquidity flexibility and increased overall financial leverage pressure.

4.3. Tax risk

Operating across more than 190 jurisdictions ascends Siemens' international tax risks, which became more severe from FY2024 to FY2025. FY2025 witnessed stricter global tax supervision, including increased audits on transfer pricing, permanent establishment disputes in emerging economies and fully implementing 15% global minimum tax. Additionally, the implementation of Germany's new intragroup financing tax rules further restricted Siemens' tax deduction of cross-border interest expenses, raising the tax cost of the group's internal capital allocation and cross-regional fund turnover [8].

4.4. Suggestions

To mitigate exchange rate risk, Siemens should expand the coverage of forward contracts for major settlement currencies and adopt natural hedging strategies to match overseas revenue and expenditure currencies. Adjusting currency clauses in large cross-border contracts flexibly can also reduce translation and transaction volatility [9]. For cross-border financing risk, the group should diversify financing channels, increase local currency financing in overseas subsidiaries and extend debt maturity to alleviate refinancing pressure. For instance, Siemens can integrate ESG-based standardized management into overseas subsidiary operation to effectively reduce institutional uncertainty, enhance cross-border regulatory adaptability and form a sustainable financial risk prevention system [10].

In terms of tax risk, Siemens needs to strengthen transfer pricing documentation, optimize overseas institutional layouts to avoid permanent establishment risks, and build a unified global minimum tax compliance system to reduce audit risks and unnecessary tax expenditures.

5. Conclusion

This paper adopts literature analysis and quantitative financial ratio analysis to conduct a comprehensive study on the financial performance and cross-border financial risks of Siemens AG, a typical German multinational industrial group. Based on its financial data of FY2024 and FY2025, the research first introduces the company's various business layout and global operating structure. Then, it systematically evaluates Siemens' overall financial status from four core dimensions:

profitability, liquidity, efficiency and solvency. The results show that Siemens maintains promising overall profitability despite a slight decline in gross profit margin caused by rising operating costs. The company has stable short-term liquidity and strong long-term solvency, though its asset turnover is restricted by its capital-intensive business model. Meanwhile, the group's debt-to-equity ratio is above 1, indicating that debt financing still dominates its capital structure, yet financial leverage has decreased year by year.

As an enterprise operated worldwide, Siemens is exposed to multiple cross-border financial risks, including exchange rate fluctuations, increasing cross-border financing costs and stricter international tax regulations brought by the global minimum tax. Targeted suggestions are proposed to address these challenges, such as applying currency hedging tools, diversifying financing channels and improving global tax compliance management.

In the future, with increasingly complex global economic and regulatory environments, multinational industrial enterprises need to improve their financial strategies and risk control systems continuously. This research can become a reference for Siemens' future financial management and also provide practical insights for similar international conglomerates.

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