SIEMENS AKTIENGESELLSCHAFT
Form 6-K
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For August 5, 2003

Commission File Number: 1-15174

Siemens Aktiengesellschaft

(Translation of registrant s name into English)

Wittelsbacherplatz 2
D-80333 Munich
Federal Republic of Germany
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes o No x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes o No x

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

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Interim Report Third Quarter and First Nine Months of Fiscal 2003

INTRODUCTION

The form and content of our Interim Report has been updated during fiscal 2003 to reflect the new reporting requirements of the Frankfurt Stock Exchange while continuing to adhere to the applicable disclosure requirements of the U.S. Securities and Exchange Commission (SEC) and United States Generally Accepted Accounting Principles (U.S. GAAP) for interim reporting purposes. We prepare the Interim Report as an update of our Annual Report, with a focus on the current reporting period. As such, the Interim Report should be read in conjunction with the Annual Report, which includes detailed analysis of our operations and activities.

ECONOMIC ENVIRONMENT & MARKET TRENDS

Despite the challenges in the current global macroeconomic environment, a majority of Siemens 13 operating Groups succeeded in increasing both their profits and their earnings margins during the third quarter of fiscal 2003 compared to the same quarter a year earlier. Of the nine Groups whose Operation 2003 target margin goals apply to this fiscal year, eight Groups reached, exceeded, or approached their goal by the end of the third quarter. The Automation and Drives Group (A&D) strengthened its market position in a weak economy and reported a Group profit margin of nearly 10 percent. The Group profit margin at Power Generation (PG) was more than 18%, despite the end of the gas turbine boom in the U.S. Medical Solutions (Med) also continued its success as it achieved a noteworthy Group profit margin of more than 19 percent in the third quarter. The Information and Communications business area continued to deal with pricing pressures and weakness in demand. Nevertheless, the three I&C Groups as a whole reported a stable aggregate bottom line result year-over-year.

At the same time, a substantially weaker dollar relative to the euro created negative currency translation effects ranging into the double digits for some Groups, putting strong downward pressure on reported business volumes. Excluding the effects of currency translation, acquisitions and dispositions, third-quarter orders for Siemens overall declined only 1% year-over-year, indicating that the volume declines of recent quarters may be slowing or stabilizing.

RESULTS OF SIEMENS WORLDWIDE

Results of Siemens worldwide Third quarter of fiscal 2003 compared to third quarter of fiscal 2002

Sales decreased 15% to 17.380 billion compared to 20.482 billion and orders decreased 10% to 17.215 billion compared to 19.033 billion the same quarter a year earlier. Excluding the effects of currency translation, acquisitions and dispositions, sales decreased 7% and orders were 1% lower year over year.

Gross profit as a percentage of sales for Siemens worldwide in the third quarter of fiscal 2003 was 29.4%, an increase of one percentage point above the prior year level. Gross profit margin from Operations improved as well to 28.9%. Among the Groups, in particular Med and Siemens VDO Automotive (SV) recorded significantly higher margins while Siemens Dematic (SD) and PG reported lower results.

Research and development expenses decreased from 1.425 billion to 1.248 billion, generally in line with the decrease in sales. R&D spending within Operations represented 7.2% of sales, up from 7.0% in the third quarter of last year. Marketing, selling and general administrative expenses were 3.190 billion compared to 3.610 billion in the third quarter a year ago. This figure represents 18.4% of sales, compared to 17.6% in the third quarter of the prior year.

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Other operating income (expense), net was a positive 124 million compared to a positive 58 million in the third quarter of fiscal 2002, which included gains of 56 million resulting from the sale of the Hydraulik-Ring business at SV. The current year quarter included net gains of 65 million from customer cancellations at PG and a 74 million gain arising from Med s contribution of assets to a joint venture with Draegerwerk AG.

Income (loss) from investments in other companies, net was a positive 16 million compared to a positive 87 million in the third quarter of the prior year, which included a 67 million gain on the sale of an investment. Fujitsu Siemens Computers narrowed its loss compared to the same period a year ago. In addition, the prior year period profited from a high level of investment income at Siemens Financial Services (SFS). Siemens equity share of Infineon Technologies AG s (Infineon) net loss was 43 million, compared to 31 million in the prior year.

Income from financial assets and marketable securities, net was a negative 63 million compared to a positive 22 million in the third quarter a year ago.

Interest income of Operations, net was 6 million compared to 24 million a year earlier, due primarily to lower interest income on accounts receivable and advance payments. Other interest income (expense), net was 75 million compared to 49 million last year reflecting lower interest expense on debt and interest paid to banks.

The effective tax rate on income in the third quarter of fiscal 2003 was approximately 22%, compared to 25% in the third quarter a year ago.

Net income in the third quarter was 632 million, compared to 725 million in the prior year. Earnings per share in the third quarter were 0.71, compared to 0.81 in the prior-year period.

Net cash from operating and investing activities for the third quarter was 266 million, including an initial payment of 505 million to acquire the industrial turbine business of Alstom S.A., Paris (Alstom), 553 million in increases in investments and 188 million in increases in marketable securities. Excluding these items, net cash from operating and investing activities was 1.512 billion. Net cash in the prior year quarter was 1.466 billion.

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Results of Siemens worldwide First nine months of fiscal 2003 compared to first nine months of fiscal 2002

Orders for the first nine months were 56.444 billion, down 16% from 66.854 billion a year earlier, and sales fell 13% to 54.455 billion from 62.726 billion. Excluding currency effects and the net effect of acquisitions and dispositions, orders and sales were down 8% and 5%, respectively.

Gross profit as a percentage of sales for Siemens worldwide in the nine months of fiscal 2003 improved to 28.6%, above the prior year level of 27.8%. Power Transmission and Distribution (PTD), Transportation Systems (TS), SV, Med and Osram all increased their margins, while a reduction at SD was due in large part to charges taken for contract loss provisions and PG s margin absorbed inventory allowances, related in part to customer cancellations. A&D continued to maintain a strong gross profit margin. The prior year was negatively impacted by the consolidation of two months of Infineon s relatively low gross profit margin. Infineon was deconsolidated beginning December 2001.

Other operating income (expense), net was a positive 408 million compared to a positive 998 million in the first nine months of fiscal 2002, which included gains of 936 million resulting from sales of shares in Infineon and a gain of 56 million from the sale of Hydraulik-Ring. The current nine-month period includes net gains of 323 million from customer cancellations at PG and a 74 million gain arising from Med s contribution of assets to the Draeger Medical joint venture.

Income (loss) from investments in other companies, net was a positive 44 million compared to a positive 162 million in the first nine months of the prior year which included 133 million of gains on the sale of two investments. Siemens equity share in the net loss of Infineon was 187 million, compared to 134 million in the prior year.

Income (expense) from financial assets and marketable securities, net was a negative 26 million compared to a positive 68 million in the first nine months of fiscal 2002.

Interest income of Operations, net was 27 million compared to 73 million a year earlier, due to lower interest income on accounts receivable and advance payments. Other interest income (expense), net was 186 million compared to 73 million last year reflecting lower interest expense on debt and interest paid to banks.

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The effective tax rate on income in the first nine months of fiscal 2003 was approximately 29%, compared to 22% in the same period a year ago, which was positively impacted by the tax-free sale of Infineon shares, which occurred in the first two quarters of fiscal 2002.

Net income for the first nine months of fiscal 2003 was 1.721 billion. Net income for the first nine months a year earlier was 2.544 billion, including non-taxable gains of 936 million related to the sale of shares in Infineon noted above and losses of 115 million from the first two months of fiscal 2002, when Infineon was still consolidated in Siemens results. Earnings per share for the first nine months of this year were 1.93, compared to 2.86 for the same period a year ago.

On October 1, 2002, Siemens adopted Statement of Accounting Financial Standards (SFAS) 143, *Accounting for Asset Retirement Obligations*, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. As a result of the adoption of SFAS 143, income of 59 million (36 million net of income taxes, or 0.04 per share) was recorded as a cumulative effect of a change in accounting principle. See Notes to the consolidated financial statements for further information.

For the first nine months of fiscal 2003, net cash from operating and investing activities was 527 million, including an initial payment of 505 million to acquire the industrial turbine business of Alstom, 645 million in increases in investments, 203 million in increases in marketable securities and 442 million of supplemental pension contributions made in the first quarter. Excluding these transactions, net cash from operating and investing activities was 2.324 billion. Net cash from operating and investing activities in the first nine months a year earlier was 3.206 billion. This amount included proceeds from portfolio activities totalling 945 million related to transactions involving Infineon and Atecs Mannesmann.

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Acquisitions and Dispositions

Alstom

On April 28, 2003 Siemens announced the signing of contracts towards the acquisition of the industrial turbine business of Alstom, in two transactions. In the first transaction, PG completed the acquisition of the small gas turbine business in April 2003, for a preliminary net purchase price of approximately 505 million. The Company has not finalized the purchase price allocation. Based on the preliminary purchase price allocation, approximately 100 million was allocated to intellectual property rights, 140 million to customer relationships and 50 million was recorded as goodwill. Both the intellectual property rights and the customer relationships are being amortized on a straight-line basis over 8 years and 15 years, respectively.

In the second transaction, PG agreed to acquire the medium-sized gas and steam turbine businesses of Alstom for a total purchase price of approximately 525 million. The Company obtained approval of the antitrust authorities in Europe and the U.S. after the close of the third fiscal quarter, in July 2003. The closing of this acquisition occurred on July 31, 2003.

Draeger Medical

In June 2003, Med contributed its Patient Care System and Electro Cardiography System businesses into a joint venture with Draegerwerk AG in exchange for a 35 percent interest in the joint venture Draeger Medical AG & Co. KGaA (Draeger Medical), headquartered in Luebeck, Germany. In connection with the contribution, Siemens realized a pretax gain of approximately 74 million. The contribution agreement obligates Siemens to contribute to Draeger Medical the net proceeds upon the sale of its Life Support Systems business. By consenting to this sale, Siemens and Draegerwerk AG received approval by antitrust authorities. Siemens investment in Draeger Medical is accounted for using the equity method.

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SEGMENT INFORMATION ANALYSIS

Operations

Information and Communications

Information and Communication Networks (ICN)

(in millions)	Third quarter ended June 30,			Nine months ended June 30,		
	Change	2003	2002	Change	2003	2002
Group profit	(49)%	(125)	(84)	(16)%	(423)	(366)
Group profit margin		*(7.4)%*	*(3.8)%*		*(8.2)%*	*(5.0)%*
Total sales	(23)%	1,687	2,190	(30)%	5,170	7,387
New orders	(13)%	1,756	2,029	(21)%	5,385	6,830
Net cash from operating and investing activities		(110)	118		(58)	158

	June 30, 2003	Sept. 30, 2002
Net capital employed	738	1,100
Employees (in thousands)	34	39

ICN reported a loss of 125 million, including 72 million in charges primarily related to asset write-downs at Efficient Networks. The Group recorded a loss of 84 million last year, including 45 million in severance charges. On a consecutive quarter basis in the current year, ICN s Group profit margin improved. Third-quarter earnings at the Enterprise Networks division were 62 million, up from the prior-year period, but sales declined to 893 million from 955 million a year earlier due to currency translation effects. ICN s Carrier Networks and Services business also reported lower sales year-over-year, 801 million compared to 1.108 billion, and posted a loss of 128 million. The division s third-quarter loss a year earlier was 183 million. For ICN as a whole, sales dropped 23% to 1.687 billion from 2.190 billion in the prior-year period, including a 6% negative currency translation effect. Third-quarter orders declined 13% year-over-year, to 1.756 billion, with nearly half the decrease due to currency translation.

ICN s loss in the first nine months of fiscal 2003 included charges for severance and asset write-downs, totaling 165 million. Similar charges in the prior year amounted to 181 million. While Enterprise Networks increased its nine-month profit year-over-year, Carrier Networks and Services narrowed its loss compared to the prior year period. Sales were lower due to market forces, 5% negative currency effects, and due to divestments, particularly Networks Systems between the two periods under review.

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Net capital employed at June 30, 2003 decreased to 738 million from 1.100 billion at the end of the prior fiscal year, due in large part to significantly lower expenditures for investments in property, plant and equipment. Despite lower earnings and payments for severance programs, working capital improvements, particularly of inventories and accounts receivable together with reduced capital expenditures held net cash from operating and investing activities to a negative 58 million. Cash flow is expected to absorb impacts in future periods from severance programs. ICN s negative EVA improved substantially year-over-year.

Information and Communication Mobile (ICM)

	Third quarter ended June 30,			Nine months ended June 30,		
(in millions)	Change	2003	2002	Change	2003	2002
Group profit		17	(9)	82%	131	72
Group profit margin		*0.8%*	*(0.4)%*		*1.8%*	*0.9%*
Total sales	(14)%	2,160	2,506	(12)%	7,345	8,364
New orders	(2)%	2,313	2,359	(21)%	7,122	9,002
Net cash from operating and investing activities		105	218		272	247

	June 30, 2003	Sept. 30, 2002
Net capital employed	1,681	1,973
Employees (in thousands)	28	29

ICM recorded Group profit of 17 million in the third quarter, including certain one-time net positive effects at the Mobile Phones and Mobile Networks divisions. In the same period a year earlier, ICM recorded a loss of 9 million. The Mobile Networks division recorded a profit of 36 million on sales of 968 million, compared to a loss of 21 million on sales of 1.218 billion in the third quarter of the prior year. Excluding a positive effect resulting from the discontinuance of hedge accounting related to the timing of a contract, the results of Mobile Networks would have been approximately break-even. The Mobile Phones division recorded sales of 922 million on a volume of 8.1 million handsets, similar to the level a year earlier, but recorded a loss of 42 million. This was due primarily to a decline in average selling price per unit also influenced by clearance of end-of-life products. This impact was mitigated by one-time positive effects resulting from improved warranty performance. For comparison, Mobile Phones recorded a profit of 28 million in the same quarter a year earlier. Third-quarter sales for ICM as a whole fell 14%, to 2.160 billion. Orders were down 2%, at 2.313 billion. Excluding currency translation effects, sales fell 10% and orders grew 5%.

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Group profit in the nine-month period was 131 million, up from 72 million in the same period a year earlier. Nine-month earnings at the Mobile Phones division fell to 12 million from 60 million a year earlier, as the division sold slightly more units than in the prior year but at a lower average selling price due to intensifying pricing pressures. Earnings at the Mobile Networks division in the first nine months were 55 million, including the positive effect related to hedge accounting noted above. For comparison, the division earned 19 million in the same period a year earlier, when it took 63 million charges for severance. Compared to the prior-year nine-month period, Group sales were down 12% while orders dropped 21%.

Net capital employed at June 30, 2003 was 1.681 billion, compared to 1.973 billion at the end of the prior fiscal year. Net cash from operating and investing activities was up modestly at 272 million. Cash flow will be impacted in future periods due to payments related to planned headcount reduction measures. EVA improved substantially year-over-year, but remained negative.

Siemens Business Services (SBS)

	Third quarter ended June 30,			Nine months ended June 30,		
(in millions)	**Change**	**2003**	**2002**	**Change**	**2003**	**2002**
Group profit	240%	17	5	(28)%	54	75
Group profit margin		*1.3%*	*0.4%*		*1.4%*	*1.7%*
Total sales	(6)%	1,283	1,367	(9)%	3,888	4,295
New orders	(7)%	1,297	1,398	(16)%	3,982	4,757
Net cash from operating and investing activities		(56)	102		(224)	(1)

	June 30, 2003	Sept. 30, 2002
Net capital employed	502	264
Employees (in thousands)	35	34

SBS posted Group profit of 17 million, up from 5 million in the third quarter a year earlier. Continuing weak demand for information technology (IT) services caused third-quarter sales to decline 6%, to 1.283 billion, and orders to decline 7%, to 1.297 billion.

In the first nine months of the current fiscal year, SBS recorded Group profit of 54 million, compared to 75 million a year earlier, as demand softened particularly in the Group s German market.

Net capital employed increased to 502 million compared to 264 million at the end of the prior fiscal year due to increased net working capital. As a result, net cash from operating and investing activities was a negative 224 million compared to a negative 1 million for the first nine months of last year due particularly to a decrease in accounts payable. EVA turned marginally negative.

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Automation and Control

Automation and Drives (A&D)

	Third quarter ended June 30,			Nine months ended June 30,		
(in millions)	Change	2003	2002	Change	2003	2002
Group profit	5%	203	193	12%	566	504
Group profit margin		*9.8%*	*9.0%*		*9.3%*	*8.1%*
Total sales	(3)%	2,074	2,136	(2)%	6,090	6,227
New orders	%	2,078	2,077	(2)%	6,467	6,610
Net cash from operating and investing activities		315	355		753	614

	June 30, 2003	Sept. 30, 2002
Net capital employed	1,952	2,197
Employees (in thousands)	51	51

A&D continued to produce outstanding earnings in a difficult environment, raising its Group profit to 203 million and its margin to nearly 10% in the third quarter. In the same period a year earlier, Group profit was 193 million. In the current period, the Group s Industrial Automation Systems and Motion Control Systems divisions again led the way in contributions to Group profit. A&D also strengthened its overall market position with innovative new products across the Group that helped offset pricing pressure and weak demand in the U.S. Third-quarter sales of 2.074 billion were just 3% lower than a year ago, while orders held steady at 2.078 billion. Excluding currency translation effects, sales grew 3% and orders rose 6% year-over-year.

A&D recorded a double-digit increase in Group profit in the nine-month period and improved its earnings margin compared to the same period a year earlier. Sales and order development, despite significant currency effects, remained stable through the first three quarters, and volumes were higher for the nine-month period, excluding currency translation effects, compared to the first nine months a year ago.

Net capital employed at June 30, 2003 decreased to 1.952 billion, down from 2.197 billion at the end of the prior fiscal year due to improved working capital management. As a result and on the back of higher earnings, net cash from operating and investing activities increased from 614 million in the first nine months a year ago to 753 million. These positive influences led to a significant increase in EVA.

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Industrial Solutions and Services (I&S)

	Third quarter ended June 30,			Nine months ended June 30,		
in millions	**Change**	**2003**	**2002**	**Change**	**2003**	**2002**
Group profit		5	(32)	65%	(24)	(69)
Group profit margin		*0.5%*	*(3.0)%*		*(0.8)%*	*(2.2)%*
Total sales	(10)%	959	1,069	(9)%	2,878	3,178
New orders	(8)%	911	992	(6)%	2,996	3,174
Net cash from operating and investing activities		42	(39)		(11)	(210)

	June 30, 2003	Sept. 30, 2002
Net capital employed	222	315
Employees (in thousands)	26	29

I&S recorded 5 million in Group profit, compared to a loss of 32 million in the third quarter a year earlier, when the Group took charges to reduce capacity, including severance charges in a contracting market for industrial solutions. Market conditions remain difficult, as third-quarter sales declined 10%, to 959 million, and orders fell 8%, to 911 million. Both sales and orders included a five percentage point negative currency translation effect.

In the first nine months, I&S narrowed its loss compared to the same period a year ago. Both nine-month periods included charges primarily for severance payments.

Net capital employed at June 30, 2003 decreased to 222 million, compared to 315 million at the end of the prior fiscal year. Net cash from operating and investing activities improved to a negative 11 million compared to a negative 210 million for the first nine months a year earlier as the Group recorded better earnings and improved its working capital management. I&S s negative EVA improved compared to the first nine months a year ago, due to lower losses and reduced Net capital employed.

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Siemens Dematic (SD)

	Third quarter ended June 30,			Nine months ended June 30,		
(in millions)	Change	2003	2002	Change	2003	2002
Group profit		(64)	12		(40)	35
Group profit margin		*(10.0)%*	*1.6%*		*(2.1)%*	*1.5%*
Total sales	(14)%	640	740	(16)%	1,920	2,291
New orders	(24)%	571	751	(18)%	1,797	2,198
Net cash from operating and investing activities		(88)	(22)		(326)	(125)

	June 30, 2003	Sept. 30, 2002
Net capital employed	1,191	975
Employees (in thousands)	11	12

SD battled weak markets, project delays, and margin pressures, recording a Group loss of 64 million including 39 million in charges for capacity reduction, inventory write-downs, and increased contract loss provisions for existing project risks. Third-quarter Group profit a year earlier was 12 million. While the Electronics Assembly Systems division began to restore sales growth in its large pick-and-place business on a near-break-even basis, its smaller businesses posted losses. The Postal Automation division stayed in the black despite falling sales. The Material Handling Automation division, however, experienced volume-driven earnings declines in the U.S., took most of the charges mentioned above related to projects in Europe, and posted a significant loss compared to a profit a year earlier. SD s third-quarter sales of 640 million were down 14% year-over-year, with currency translation accounting for 11 percentage points of the decrease. Orders dropped 24%, to 571 million, including eight percentage points due to currency translation.

SD in the first nine months posted a loss of 40 million, compared to Group profit of 35 million a year earlier. The current nine-month period includes the charges to earnings mentioned above. A negative 9% currency translation effect magnified market-driven declines in business volumes year-over-year.

Net capital employed at June 30, 2003 was 1.191 billion, compared to 975 million at the end of the prior fiscal year. Net cash from operating and investing activities was a negative 326 million compared to a negative 125 million for the first nine months of last year, primarily due to a significant increase in inventories resulting from delays in projects. EVA decreased and remained negative.

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Siemens Building Technologies (SBT)

	Third quarter ended June 30,			Nine months ended June 30,		
(in millions)	Change	2003	2002	Change	2003	2002
Group profit	(22)%	18	23	(42)%	63	108
Group profit margin		*1.6%*	*1.8%*		*1.8%*	*2.7%*
Total sales	(10)%	1,156	1,287	(10)%	3,590	4,005
New orders	(11)%	1,137	1,280	(13)%	3,629	4,150
Net cash from operating and investing activities		38	101		214	129

	June 30, 2003	Sept. 30, 2002
Net capital employed	1,550	1,778
Employees (in thousands)	33	36

Group profit at **SBT** was 18 million, including 20 million in charges primarily to reduce capacity. Group profit was 23 million in the third quarter a year earlier. Reflecting weakening demand in the construction market, sales fell 10% year-over-year, to 1.156 billion, and orders were down 11%, at 1.137 billion. Currency translation effects were a negative 8% for sales and a negative 7% for orders. SBT expects to take additional charges to reduce capacity in the fourth quarter.

SBT in the first nine months recorded a Group profit of 63 million, compared to 108 million a year earlier. The current nine-month period includes charges for severance and associated write-downs of 49 million. Nine-month sales and orders were negatively impacted by 6% currency translation effects.

Net capital employed at June 30, 2003 was 1.550 billion, compared to 1.778 billion at the end of the prior fiscal year. Despite lower earnings, SBT improved its net cash from operating and investing activities to 214 million from 129 million last year, primarily due to lower net working capital. Cash flow will be negatively impacted in future periods due to payments related to planned capacity reduction measures. The Group s negative EVA was slightly lower.

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Power

Power Generation (PG)

	Third quarter ended June 30,			Nine months ended June 30,		
(in millions)	Change	2003	2002	Change	2003	2002
Group profit	(41)%	279	476	(23)%	950	1,228
Group profit margin		*18.2%*	*19.8%*		*19.0%*	*17.2%*
Total sales	(36)%	1,530	2,400	(30)%	5,006	7,148
New orders	(3)%	1,596	1,648	(34)%	6,079	9,146
Net cash from operating and investing activities		(289)	22		(218)	905

	June 30, 2003	Sept. 30, 2002
Net capital employed	1,047	(144)
Employees (in thousands)	27	26

PG s third-quarter Group profit of 279 million was down from the 476 million level a year earlier, near the peak of the U.S. gas turbine energy boom. The current period includes net gains of 65 million from customer cancellations, and the prior year period benefited from a 44 million gain related to revised estimates of project performance. While third-quarter sales were significantly lower than a year earlier, at 1.530 billion, orders were down just 3% year-over-year, at 1.596 billion. Excluding a 5% currency translation effect, orders rose as PG continued to expand its business with major new orders in Asia/Pacific, Europe, and the Middle East. The Group s service business grew faster than PG as a whole, and accounted for approximately one-third of Group sales and delivered robust Group profit in the third quarter. PG s acquisition of Alstom s small gas turbine business, which was consolidated as of May 1, 2003, made only a modest contribution to sales and earnings growth during the period. PG s order backlog was 14.5 billion, comparable to recent quarters.

During the first nine months, PG expanded its global gas turbine energy business, particularly in Asia/Pacific, Europe, and the Middle East, and continued to grow its service business. Although PG s nine-month sales and orders were down as expected, and included negative currency translation effects, Group profit was 950 million and consequently, PG s earnings margin rose to 19% for the first three quarters. This period included net gains of 323 million related to cancellation of orders, partly offset by 87 million in allowances on inventories related to customer cancellations recorded in the first quarter.

Net capital employed at June 30, 2003 increased to 1.047 billion, compared to a negative 144 million at the end of the prior fiscal year, primarily due to lower advance payments and the consolidation of the small gas turbine business acquired from Alstom. Net cash from operating and investing activities in the current period included the 505 million payment to Alstom. Cash flow will be affected in the fourth quarter due to PG s completion of the acquisition of Alstom s industrial turbine business on July 31, 2003. EVA was lower but remained strong.

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Power Transmission and Distribution (PTD)

	Third quarter ended June 30,			Nine months ended June 30,		
(in millions)	Change	2003	2002	Change	2003	2002
Group profit	21%	52	43	53%	142	93
Group profit margin		*6.0%*	*4.3%*		*5.6%*	*3.1%*
Total sales	(13)%	869	1,002	(16)%	2,517	3,009
New orders	(10)%	868	966	(23)%	2,788	3,635
Net cash from operating and investing activities		128	(55)		246	16

	June 30, 2003	Sept. 30, 2002
Net capital employed	836	928
Employees (in thousands)	16	17

PTD delivered Group profit of 52 million compared to 43 million in the third quarter a year ago, and boosted its Group profit margin to 6% despite a decline in sales. The Group s High Voltage and Medium Voltage divisions increased their profitability year-over-year. The aggregate effects of currency translation and the divestment of PTD s Metering division between the two periods under review strongly influenced both sales and orders, by a negative 20% and 21%, respectively. As a result, sales fell 13%, to 869 million, and orders declined 10%, to 868 million. The divestment of Metering accounted for a negative 13% effect on both sales and orders, whereas currency translation effects were a negative 7% and a negative 8% on sales and orders, respectively. Excluding the effect of currency translation and the divestment, PTD s sales rose 7% and orders grew 11%.

PTD increased its earnings margin in each of the first three quarters, and all its divisions contributed higher or level earnings for the first nine months compared to the same period a year earlier. This enabled PTD to raise its nine-month Group profit 53% year-over-year despite a smaller business base following the divestment of Metering in the fourth quarter of fiscal 2002. Negative 7% currency effects on both sales and orders further reduced PTD s business volumes year-over-year. Excluding currency translation and the effect of the disposition, nine-month sales grew 3% and orders declined 6% year-over-year.

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Net capital employed at June 30, 2003 improved to 836 million, from to 928 million at the end of the prior fiscal year. Net cash from operating and investing activities also improved to 246 million from 16 million for the first nine months of last year due to stronger earnings and lower inventories. These factors turned EVA positive.

Transportation

Transportation Systems (TS)

	Third quarter ended June 30,			Nine months ended June 30,		
(in millions)	**Change**	**2003**	**2002**	**Change**	**2003**	**2002**
Group profit	21%	74	61	19%	206	173
Group profit margin		*6.7%*	*5.5%*		*6.3%*	*5.5%*
Total sales	%	1,100	1,102	5%	3,281	3,123
New orders	(19)%	732	909	(15)%	3,256	3,832
Net cash from operating and investing activities		(131)	120		(537)	269

	June 30, 2003	**Sept. 30, 2002**
Net capital employed	(30)	(741)
Employees (in thousands)	18	17

TS improved third-quarter Group profit to 74 million from 61 million a year earlier, and raised its earnings margin more than a percentage point to 6.7%. Third-quarter sales of 1.100 billion were unchanged from the level a year earlier, as TS continued to convert previous large orders into current business. Third-quarter orders of 732 million were down 19% year-over-year, including six percentage points due to currency translation, and the Group s order backlog was 11.2 billion.

In the first nine months, TS increased its Group profit 19% and also improved its earnings margin compared to the same period a year earlier. While sales rose year-over-year, orders were lower in comparison with the prior-year period, which included several large new contracts in Thailand and the Netherlands.

Net capital employed at June 30, 2003 was a negative 30 million, compared to a negative 741 million at the end of the prior fiscal year, primarily due to increased inventories. This effect was also evident in net cash from operating and investing activities of a negative 537 million compared to a positive 269 million for the first nine months of last year. The negative effect from higher Net capital employed more than offset the positive impact from earnings improvement in the first nine months, resulting in a decreased, but still positive EVA.

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Siemens VDO Automotive (SV)

	Third quarter ended June 30,			Nine months ended June 30,		
(in millions)	Change	2003	2002	Change	2003	2002
Group profit	63%	111	68	279%	303	80
Group profit margin		*5.3%*	*3.1%*		*4.7%*	*1.2%*
Total sales	(6)%	2,090	2,229	(1)%	6,408	6,463
New orders	(6)%	2,090	2,229	(1)%	6,408	6,463
Net cash from operating and investing activities		67	286		64	263

	June 30, 2003	Sept. 30, 2002
Net capital employed	3,912	3,746
Employees (in thousands)	44	43

SV further stabilized its earnings position, achieving 111 million in Group profit and improving its earnings margin more than two full percentage points. Diesel injection systems and onboard infotainment systems supported profitability. Both sales and orders were 2.090 billion, down 6% year-over-year, partly caused by the previously communicated transfer of SV s approximately 800 million (annualized) automotive cockpit module business to an existing joint venture with Faurecia S.A., Nanterre Cedex, France on May 31, 2003. Excluding this transfer and a 6% negative currency translation effect, SV s sales and orders grew year-over-year.

SV in the first nine months contributed more than 300 million in Group profit and increased its earnings margin three and a half percentage points compared to the first nine months a year earlier, riding higher profitability in its Powertrain, Chassis & Carbody, and Interior & Infotainment divisions after multi-year investments in innovative new technologies. Sales and orders were down 1%. Excluding 6% negative currency translation effects, nine-month volumes grew 5% year-over-year.

Net capital employed at June 30, 2003 was 3.912 billion, compared to 3.746 billion at the end of the prior fiscal year. Net cash from operating and investing activities was 64 million compared to 263 million in the first nine months of the prior year. The current year reflects a decrease in accounts payable while the prior year included proceeds from the sale of businesses, particularly Hydraulik-Ring. EVA improved significantly year-over-year on higher earnings.

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Medical

Medical Solutions (Med)

	Third quarter ended June 30,			Nine months ended June 30,		
(in millions)	Change	2003	2002	Change	2003	2002
Group profit	37%	332	243	16%	832	717
Group profit margin		*19.3%*	*12.9%*		*15.5%*	*13.0%*
Total sales	(9)%	1,721	1,882	(3)%	5,382	5,522
New orders	(11)%	1,702	1,916	(9)%	5,505	6,027
Net cash from operating and investing activities		212	261		406	598

	June 30, 2003	Sept. 30, 2002
Net capital employed	3,355	3,414
Employees (in thousands)	32	31

Med led all Siemens Groups with 332 million in Group profit, including a 74 million gain related to the contribution of a portion of its electromedical systems business in return for an equity ownership of 35% in Draeger Medical. For comparison, Group profit a year earlier was 243 million. Healthy demand for Med s innovative imaging systems contributed strongly to quarterly results. Third-quarter sales of 1.721 billion were down 9% and orders of 1.702 billion declined 11% year-over-year. Excluding currency translation effects that cut 13 percentage points from sales growth and 12 points from order development, Med increased sales 4% and orders 1% compared to the prior-year quarter despite slower market growth, particularly in the U.S.

Med in the first nine months increased Group profit 16%, to 832 million with new, higher-margin products, and improved its earnings margin to 15.5%, two and a half percentage points higher than in the first nine months a year earlier. Sales and orders were lower year-over-year due to 11% negative currency translation effects. Excluding those effects, sales rose 8% and orders were up 2%.

Net capital employed at June 30, 2003 was 3.355 billion, compared to 3.414 billion at the end of the prior fiscal year. Net cash from operating and investing activities was 406 million in the current period, compared to 598 million in the first nine months a year ago. EVA remained strong and rose compared to the prior-year period, primarily due to higher earnings.

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Lighting

Osram

	Third quarter ended June 30,			Nine months ended June 30,		
(in millions)	Change	2003	2002	Change	2003	2002
Group profit	(4)%	98	102	13%	305	270
Group profit margin		*10.1%*	*9.5%*		*9.7%*	*8.2%*
Total sales	(10)%	968	1,073	(5)%	3,154	3,310
New orders	(10)%	968	1,072	(5)%	3,154	3,310
Net cash from operating and investing activities		93	(8)		407	136

	June 30, 2003	Sept. 30, 2002
Net capital employed	2,124	2,436
Employees (in thousands)	35	35

Osram raised its earnings margin above 10% and recorded Group profit of 98 million, compared to 102 million a year earlier. Higher-margin new products continued to brighten Osram s profitability picture, especially at the Opto Semiconductors division. Third-quarter sales and orders of 968 million were down 10% year-over-year. Excluding currency translation effects that cut 12 percentage points from sales and order growth, sales and orders grew 2% compared to the prior-year quarter.

In the first nine months, Osram increased its Group profit 13%, to 305 million, and boosted its earnings margin. These improvements were driven by higher earnings at the Automotive Lighting and Opto Semiconductors divisions as well as higher margins at the General Lighting division compared to the same period a year earlier. Sales and orders reflected an 11% negative currency translation effect. Excluding those effects, nine-month volumes rose 6% year-over-year.

Net capital employed at June 30, 2003 declined to 2.124 billion, compared to 2.436 billion at the end of the prior fiscal year. Lower capital expenditures, improved working capital management and increased profitability resulted in net cash from operating and investing activities of 407 million compared to 136 million for the first nine months of last year. Higher profit on lower Net capital employed further improved Osram s positive EVA.

Other operations

Other operations includes certain centrally held equity investments such as BSH Bosch und Siemens Hausgeräte GmbH and other operating activities not associated with a Group. For the third quarter, Other operations contributed Group profit of 6 million, compared to a negative 3 million in the same period a year earlier. Other operations in the first nine months accounted for 128 million in Group profit, nearly unchanged from 129 million in the same period a year earlier. Net cash from operating and investing activities included increases in investments and marketable securities as mentioned above.

Corporate items, pensions and eliminations

Corporate items, pensions, and eliminations were a negative 377 million in the third quarter, compared to a negative 206 million in the same period a year earlier, which included a gain of 67 million on the sale of an investment. Corporate costs were 150 million, down from 165 million a year earlier. Non-allocated pension expense was higher in the current period, 189 million compared to 61 million a year earlier, and Siemens equity share of Infineon s net loss was also higher, at 43 million compared to 31 million a year earlier.

Corporate items, pensions and eliminations in the first nine months of fiscal 2003 were a negative 1.256 billion compared to a negative 751 million in the same period a year earlier, due primarily to higher non-allocated pension costs as well as a higher loss from our equity share in Infineon. Before Siemens deconsolidated Infineon in December 2001 (the first quarter of fiscal 2002), the negative results from Infineon in October and November 2001 were included in Eliminations, reclassifications and Corporate Treasury.

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Financing and Real Estate

Siemens Financial Services (SFS)

(in millions)	Third quarter ended June 30,			Nine months ended June 30,		
	Change	2003	2002	Change	2003	2002
Income before income taxes	(14)%	71	83	28%	213	166
Total sales		135	159		410	435
Net cash from operating from operating and investing activities		307	(84)		300	256

	June 30, 2003	Sept. 30, 2002
Total assets	8,009	8,681
Allocated Equity	1,080	930
Total debt	6,279	6,730
Therein intracompany financing	6,044	6,469
Therein debt from external sources	235	261
Employees (in thousands)	1	1

Income before income taxes at **SFS** was 71 million, down from 83 million in the third quarter a year earlier, a period that included a high level of investment income.

In the first nine months, SFS delivered 28% higher income before income taxes compared to the same period a year earlier, on the strength of income from an investment in Indonesia by the Equity division and lower provisions and write-downs at the Equipment and Sales Financing division.

Total assets at June 30, 2003 were 8.009 billion, compared to 8.681 billion at the end of the prior fiscal year, primarily due to significant currency effects and as a result of lower leasing business volumes. Net cash from operating and investing activities was 300 million compared to 256 million for the first nine months of last year. EVA increased on stronger income.

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Siemens Real Estate (SRE)

	Third quarter ended June 30,			Nine months ended June 30,		
(in millions)	Change	2003	2002	Change	2003	2002
Income before income taxes	45%	77	53	(15)%	187	220
Total sales	(1)%	391	394	(1)%	1,182	1,199
Net cash from operating from operating and investing activities		80	7		214	235

	June 30, 2003	Sept. 30, 2002
Total assets	3,696	4,090
Allocated Equity	920	920
Total debt	1,562	1,751
Therein intracompany financing	1,241	1,402
Therein debt from external sources	321	349
Employees (in thousands)	2	2

Third-quarter results for **SRE** rose year-over-year, to 77 million from 53 million, as gains from dispositions of real estate assets and reduced financing costs from lower interest rates more than offset the effects of lower occupancy rates.

Income before income taxes for SRE for the first nine months of fiscal 2003 declined compared to the prior year, primarily due to lower occupancy rates, partially offset by lower financing costs. Nine-month sales were level with the prior-year period.

Total assets at June 30, 2003 were 3.696 billion, compared to 4.090 billion at the end of the prior fiscal year, primarily due to a reduction of real estate holdings. Net cash from operating and investing activities was 214 million, near the level of the first nine months a year earlier. EVA decreased, but remained positive.

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SALES AND ORDER TRENDS IN THE FIRST NINE MONTHS

Orders for the first nine months were 56.444 billion, down 16% from 66.854 billion a year earlier, and sales fell 13% to 54.455 billion from 62.726 billion. Excluding currency and the net effect of acquisitions and dispositions, the declines in orders and sales were 8% and 5%, respectively. Orders in Germany for the first nine months of fiscal 2003 were 12.654 billion, down 7% compared to the same period a year earlier. Sales in Germany decreased 7% to 12.282 billion. International orders dropped 18% year-over-year, to 43.790 billion. Excluding currency translation and the net effects of acquisitions and dispositions, the decline in international orders was 9%. International sales of 42.173 billion declined 15% year-over-year. Excluding currency translation and the net effects of acquisitions and dispositions, international sales decreased 5%.

Orders in the U.S. for the first nine months were down 36%, to 10.786 billion. Sales in the U.S. declined 25%, to 11.517 billion, driven by expected volume declines at PG following the end of the gas turbine energy boom and by a negative 15% currency translation effect. Nine-month orders in Asia-Pacific fell 7% to 7.526 billion and sales fell 17% year-over-year, to 6.106 billion, in part due to currency translation and the net effect of acquisitions and dispositions. Sales in China fell 19% to 1.922 billion in the first nine months of the current fiscal year, due in large part to the effect of currency translation and dispositions.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL REQUIREMENTS

Cash Flow First nine months of fiscal 2003 compared to first nine months of fiscal 2002

Net cash provided by operating activities of the Operations component for the first nine months of fiscal 2003 was 1.532 billion after 442 million in supplemental cash contributions to Siemens pension trusts in Germany and the U.K. Net cash provided by operating activities of the Operations component for the first nine months of last year was 4.202 billion. Changes in net working capital (current assets less current liabilities) within Operations used cash of 1.897 billion in the first nine months of fiscal 2003, compared to cash provided of 274 million in the same period a year earlier. The current period reflects an increase of inventories, particularly at SD and TS, more than offset by a reduction in trade accounts receivable, particularly at ICN, A&D, I&S, SBT, and PG. Accounts payable decreased, in particular at SBS, PG, and SV, but did so in total at a lower level than in the prior nine-month period. Other current liabilities decreased, in particular at PG, due to lower advance payments resulting from order cancellations in the U.S.

Net cash used in investing activities within Operations was 2.482 billion in the first nine months of this fiscal year, including PG s 505 million initial payment for the acquisition of Alstom s industrial turbine business and significant increases in investments and marketable securities. Net cash used in investing activities within Operations in the first nine months of fiscal 2002 amounted to 684 million. The current period reflects further reductions in capital expenditures for property, plant and equipment, particularly at ICN, PG and Osram. Investing activities in the first nine months a year ago included net proceeds of 945 million from transactions related to Atecs Mannesmann and Infineon. These included a cash payment of 3.657 billion to Vodafone AG to complete the Atecs transaction initiated in fiscal 2001 partly offset by 3.080 billion received in proceeds from the disposition of Atecs businesses held for sale. Sales of Infineon shares, which occurred in the first two quarters of fiscal 2002, generated proceeds totaling 1.522 billion.

Net cash provided by operating activities within the Financing and Real Estate component for the first nine months of fiscal 2003 was 388 million supported by strong earnings, in particular from SFS. Net cash provided in the prior nine-month period was 589 million.

Net cash provided by investing activities in Financing and Real Estate was 15 million for the first nine months of fiscal 2003, compared to net cash used of 206 million in the same period in the prior year. The prior period reflects a higher negative effect from the sale of accounts receivable by SFS, net of collections. During fiscal 2003, the Company has discontinued the use of the SieFunds asset securitization program.

Net cash provided by operating activities of Siemens worldwide was 3.310 billion for the first nine months of fiscal 2003, compared to 4.347 billion for the same period a year earlier. The current nine-month period includes 442 million in supplemental cash contributions to Siemens pension trusts in Germany and U.K. Changes in net working capital used cash of 917 million in the first nine months of fiscal 2003, compared to cash used of 358 million in the same period in the prior year. In addition to the factors noted above, during the current nine-month period net cash includes decreases in other current assets and increases in other current liabilities at Corporate Treasury due to transactions in financial instruments related to our international business activities.

Net cash used in investing activities of Siemens worldwide was 2.783 billion in the first nine months of fiscal 2003 compared to 1.141 billion in the first nine months of fiscal 2002. The current period reflects lower cash outlays for capital expenditures as noted above as well as approximately 850 million in increases in investments and marketable securities, while the prior year period included the receipt of net proceeds of 945 million related to Atecs and Infineon.

For Siemens worldwide, net cash from operating and investing activities for the first nine months of fiscal 2003 was 527 million, compared to 3.206 billion for the first nine months of fiscal 2002. For further information see the discussion of net cash from operating and investing activities in the Segment Information Analysis above.

Net cash provided by financing activities for Siemens worldwide for the first nine months of fiscal 2003 was 823 million compared to net cash used of 1.456 billion for the same period a year earlier. The current period includes 2.5 billion from the issuance of notes, convertible into shares of Siemens AG. The total amount also includes 742 million for the repayment of debt, which includes the repurchase of notional 500 million of a bond exchangeable into Infineon shares.

For Siemens worldwide, total net cash provided by operating activities of 3.310 billion, less cash used in investing activities of 2.783 billion, plus 823 million in cash provided by financing activities less the effects of currency translation, resulted in a 1.041 billion increase in cash and cash equivalents, to 12.237 billion.

Capital Developments

Debt

In June 2003, the Company issued 2.5 billion of convertible notes through its wholly owned Dutch subsidiary, Siemens Finance B.V., which are fully and unconditionally guaranteed by Siemens AG. The convertible notes have a 1.375% coupon and are convertible into approximately 44.5 million shares of Siemens AG at a conversion price of 56.1681 per share, which is subject to change under certain circumstances. The conversion right is contingently exercisable by the holders upon the occurrence of one of several conditions, most notably, upon the Company s share price having exceeded 110% of the conversion price on at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of any calendar quarter. The Company may, at any time after June 18, 2007, redeem the notes outstanding at their principal amount together with interest accrued thereon, if Siemens share price exceeds 130% of the conversion price on any 15 of 30 consecutive trading days before notice of early redemption. Unless previously redeemed, converted or repurchased and cancelled, the notes mature on June 4, 2010.

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As of June 30, 2003, Siemens has undrawn backstop facilities in the total amount of 3.8 billion. During the third quarter, the Company terminated its 1 billion revolving loan facility, which was to expire in February 2004, and entered into a new revolving loan facility with a domestic bank for an amount of up to 750 million and which expires in June 2008. As of the end of the third quarter, none of our backstop facilities contain ongoing Material Adverse Change clauses.

Equity

At the Annual Shareholders Meeting on January 23, 2003, our shareholders gave authorization to repurchase up to 10% of our outstanding shares at any time until July 22, 2004. Such stock may be (i) retired with the approval of the Supervisory Board, (ii) used to satisfy the Company s obligations under the 1999 Siemens Stock Option Plan and the 2001 Siemens Stock Option Plan or (iii) offered for sale to employees within the employee share program. In addition, the Company is authorized by the German Stock Corporation Act (*Aktiengesetz*) to repurchase its shares to offer them for sale to its employees within the share programs. For further information with respect to the repurchase of shares for sale to employees see Notes to the Consolidated Financial Statements.

In addition, at the Annual Shareholders Meeting on January 23, 2003, our shareholders authorized the creation of new capital and authorized our Managing Board to issue convertible bonds and/or bonds with warrants. For further information, see Notes to the Consolidated Financial Statements.

Pension Plans

Pension benefits provided by Siemens are currently organized primarily through defined benefit pension plans which cover virtually all of our domestic employees and many of our foreign employees. In order to fund Siemens obligations under the defined benefit plans, our major pension plans are funded with assets in segregated pension entities. These assets are managed by specialized asset managers. In general, the asset allocation is based on pension asset and liability studies and is regularly reviewed. Siemens has implemented custodian structures for these pension assets, which allow for a regular and consistent tracking and reporting on a worldwide basis. Current investment strategy is generally biased towards high quality government and selected corporate bonds. Recently, we increased the asset allocation of equity securities from 8% to 23%. Future investment decisions will be determined in consideration of market developments and are therefore subject to change.

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Information about the funded status and the asset allocation of the Company s principal pension benefit plans is presented in the following table (in billions of):

	June 30, 2003			September 30, 2002		
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
Projected benefit obligation (PBO) at end of period(1)	19.4	13.6	5.8	19.5	13.3	6.2
Fair value of plan assets	14.9	10.4	4.5	14.5	9.6	4.9
Under-funding at end of period	4.5	3.2	1.3	5.0	3.7	1.3
Asset allocation of total pension assets:						
Equity	*23%*	*15%*	*41%*	*33%*	*20%*	*60%*
therein Infineon shares				*3%*	*5%*	
Fixed income	*63%*	*72%*	*42%*	*46%*	*58%*	*22%*
Real estate	*10%*	*10%*	*9%*	*8%*	*7%*	*9%*
Cash	*4%*	*3%*	*8%*	*13%*	*15%*	*9%*

(1) As of June 30, 2003 estimated

In the table above, asset values as of September 30, 2002 are determined based on specific measurement dates. The measurement date for the Siemens German Pension Trust (domestic trust) is September 30. The measurement date for our principal foreign pension plans, primarily those in the U.S. and the U.K., is June 30. As of June 30, 2003, asset values for both the Siemens German Pension Trust and the foreign pension plans are based on market values at June 30, 2003.

Funding In October 2002, supplemental contributions were made to the Siemens German Pension Trust totaling 635 million, comprising 377 million in real estate and 258 million in cash. A supplemental cash contribution of 184 million was also made in October 2002 to the U.K. pension plan. Regular funding during the nine-month period ended June 30, 2003 amounted to 147 million. Future funding decisions for the Group s pension plans will be made based upon due consideration of developments affecting plan assets and pension liabilities as well as minimum funding requirements and local tax deductibility. Benefits paid during the nine- month period ended June 30, 2003, amounted to approximately 690 million.

Investment Return Investment returns for the Siemens German Pension Trust from October 1, 2002 to June 30, 2003 amounted to 617 million, or a positive 6.9% determined on an annualized basis. From October 1, 2002 to June 30, 2003, the principal foreign pension plans had a positive investment return of 522 million or 14.0% on an annualized basis. As a result of a plan measurement date of June 30, the fair value of the plan assets of certain foreign plans, primarily in the U.S. and the U.K., as of June 30, 2003 also reflects the change in net asset values for the period July 1 to September 30, 2002, which amounted to a negative 551 million.

Asset Allocation The table on the previous page details the allocation of assets in our principal pension benefit plans. During the nine-month period ended June 30, 2003 the remaining investment of the Siemens German Pension Trust in Infineon shares was sold.

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The significant pension plan assumptions for the periods ending June 30, 2003 and September 30, 2002 and 2001 were as follows:

	June 30, 2003			Period ended, September 30, 2002			September, 30, 2001		
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
Discount rate	6.0%	5.75%	6.4%	6.0%	5.75%	6.4%	6.2%	6.0%	6.7%
Siemens German Pension Trust	*5.75%*			*5.75%*			*6.0%*		
U.S.	*7.25%*			*7.25%*			*7.5%*		
U.K.	*5.7%*			*5.7%*			*6.2%*		
Expected return on plan assets	6.7%	6.75%	6.7%	8.0%	8.25%	7.9%	8.8%	9.3%	7.8%
Siemens German Pension Trust	*6.75%*			*8.25%*			*9.5%*		
U.S.	*6.95%*			*9.0%*			*8.75%*		
U.K.	*6.85%*			*7.2%*			*7.4%*		
Rate of compensation increase	3.1%	2.75%	3.9%	3.1%	2.75%	3.9%	3.3%	3.0%	4.1%
Siemens German Pension Trust	*2.75%*			*2.75%*			*3.0%*		
U.S.	*4.25%*			*4.25%*			*4.5%*		
U.K.	*4.1%*			*4.1%*			*4.1%*		
Rate of pension progression	1.4%	1.25%	2.3%	1.4%	1.25%	2.3%	1.6%	1.5%	2.3%
Siemens German Pension Trust	*1.25%*			*1.25%*			*1.5%*		
U.K.	*2.5%*			*2.5%*			*2.5%*		

The interest and service cost components of net periodic pension cost for each fiscal year were determined based upon the Projected Benefit Obligation (PBO) as of the measurement date which for the Siemens German Pension Trust is September 30, while for most foreign plans, it is June 30. The calculation of the expected return on plan assets component of net periodic pension cost was based on the rate provided for each respective year. For the Siemens German Pension Trust, the determination of the expected return on plan assets and the amortization of unrecognized losses components of net periodic pension costs are based on a market-related value of plan assets calculated using the average of historical market values of plan assets over the immediately preceding four quarters. For all other plans, the market-related value of plan assets is equal to the fair value of plan assets as of the measurement date.

Net periodic pension cost Total net periodic pension cost including service cost for the fiscal year ended September 30, 2003 is expected to be approximately 1.0 billion. For the nine-month period ended June 30, 2003, net periodic pension cost was 723 million compared to 305 million in the first nine months of the prior fiscal year. In fiscal 2002, total net periodic pension cost including service cost was 447 million. The increase in net periodic pension cost compared to fiscal 2002 results from two important factors. First, the Company adjusted the expected rate of return on plan assets for the most significant pension plans as a result of a revised asset allocation and in expectation of lower market returns.

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This change results in a negative impact for the entire fiscal year 2003 of 220 million. Secondly, net periodic pension cost will increase in fiscal 2003 as a result of higher amortization of unrealized losses. These unrealized losses arose from negative developments in the international capital markets during fiscal years 2002 and 2001, together with the effect of the reduction of the plan discount rate assumption.

The service cost and amortization of prior service cost components of net periodic pension cost for all of fiscal 2003 is expected to be approximately 500 million, the same amount as in fiscal 2002. The service cost component for the Siemens German Pension Trust (212 million in fiscal 2003) is currently reported in the Segment Information table centrally under Corporate items, pensions and eliminations, whereas the service cost and amortization of prior service cost components for the foreign pension plans (288 million in fiscal 2003) are allocated to the operating Groups. All other components of net periodic pension cost are reported centrally under Corporate items, pensions and eliminations for both the Siemens German Pension Trust and the foreign pension plans. Non-allocated pension related expense within Corporate items, pensions and eliminations will increase from 250 million in fiscal 2002 to approximately 780 million for the fiscal year ended September 30, 2003. In the statement of income, net periodic pension cost is allocated among the functional costs (cost of sales, research and development, marketing, selling and general administrative expense), according to the function of the employee groups accruing benefits.

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EVA PERFORMANCE

Siemens ties a portion of its executive incentive compensation to achieving economic value added (EVA) targets. EVA measures the profitability of a business (using Group profit for the Operations Groups and income before income taxes for the Financing and Real Estate businesses as a base) against the additional cost of capital used to run a business, (using Net capital employed for the Operations Groups and risk-adjusted equity for the Financing and Real estate businesses as a base). A positive EVA means that a business has earned more than its cost of capital, and is therefore defined as value-creating. A negative EVA means that a business is earning less than its cost of capital and is therefore defined as value-destroying. Other organizations that use EVA may define and calculate EVA differently.

Siemens worldwide EVA for the first nine months of fiscal 2003 was positive but lower compared to the same period a year ago, due primarily to non-taxable gains of 936 million on sales of shares in Infineon which occurred in the first two quarters a year earlier. Excluding these gains, EVA increased compared to the prior-year period.

This Interim Report contains forward-looking statements based on beliefs of Siemens management. We use the words anticipate, believe, estimate, expect, intend, should, plan and project to identify forward-looking statements. Such statements reflect our 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. Please refer to the discussion of Siemens risk factors in our Form 20-F. Siemens does not intend or assume any obligation to update these forward-looking statements. It is our policy to disclose material information on an open, nonselective basis.

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SIEMENS AG

CONSOLIDATED STATEMENTS OF INCOME (unaudited)
For the three months ended June 30, 2003 and 2002
(in millions of , per share amounts in)

	Siemens worldwide		Eliminations, reclassifications and Corporate Treasury		Operations		Financing and Real Estate	
	2003	2002	2003	2002	2003	2002	2003	2002
Net sales	17,380	20,482	(392)	(377)	17,249	20,308	523	551
Cost of sales	(12,274)	(14,669)	393	377	(12,258)	(14,629)	(409)	(417)
Gross profit on sales	5,106	5,813	1		4,991	5,679	114	134
Research and development expenses	(1,248)	(1,425)			(1,248)	(1,425)		
Marketing, selling and general administrative expenses	(3,190)	(3,610)	2		(3,119)	(3,524)	(73)	(86)
Other operating income (expense), net (therein gain on issuance of subsidiary and associated company stock 4, fiscal 2002)	124	58	(16)	(22)	81	43	59	37
Income (loss) from investments in other companies, net	16	87			(3)	48	19	39
Income (expense) from financial assets and marketable securities, net	(63)	22	(3)	(21)	(62)	47	2	(4)
Interest income of Operations, net	6	24			6	24		
Other interest income (expense), net	75	49	59	47	(11)	(14)	27	16
Income before income taxes	826	1,018	43	4	635	878	148	136
Income taxes	(183)	(258)	(9)	3	(140)	(228)	(34)	(33)
Minority interest	(11)	(35)			(11)	(35)		
Income before cumulative effect of change in accounting principle	632	725	34	7	484	615	114	103
Cumulative effect of change in accounting principle, net of income taxes								
Net income	632	725	34	7	484	615	114	103
Basic earnings per share								
Income before cumulative effect of change in accounting principle	0.71	0.81						
Cumulative effect of change in accounting principle, net of income taxes								
Net income	0.71	0.81						
Diluted earnings per share								
Income before cumulative effect of change in accounting principle	0.71	0.81						
Cumulative effect of change in accounting principle, net of income taxes								

Net income	0.71	0.81

The accompanying notes are an integral part of these consolidated financial statements.

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SIEMENS AG

CONSOLIDATED STATEMENTS OF INCOME (unaudited)
For the nine months ended June 30, 2003 and 2002
(in millions of , per share amounts in)

	Siemens worldwide		Eliminations reclassifications and Corporate Treasury[2]		Operations		Financing and Real Estate	
	2003	2002	2003	2002	2003	2002	2003	2002
Net sales	54,455	62,726	(1,178)	(680)	54,050	61,778	1,583	1,628
Cost of sales	(38,899)	(45,280)	1,180	604	(38,872)	(44,651)	(1,207)	(1,233)
Gross profit on sales	15,556	17,446	2	(76)	15,178	17,127	376	395
Research and development expenses	(3,821)	(4,398)		(168)	(3,821)	(4,230)		
Marketing, selling and general administrative expenses	(9,930)	(11,177)	2	(88)	(9,712)	(10,876)	(220)	(213)
Other operating income (expense), net (therein gain on issuance of subsidiary and associated company stock 4, fiscal 2002)	408	998	(53)	864	347	16	114	118
Income (loss) from investments in other companies, net	44	162		(16)	(18)	136	62	42
Income (expense) from financial assets and marketable securities, net	(26)	68	39	29	(64)	52	(1)	(13)
Interest income of Operations, net	27	73			27	73		
Other interest income (expense), net	186	73	154	122	(37)	(106)	69	57
Gains on sales and dispositions of significant business interests				(936)		936		
Income (loss) before income taxes	2,444	3,245	144	(269)	1,900	3,128	400	386
Income taxes[1]	(701)	(708)	(41)	59	(545)	(683)	(115)	(84)
Minority interest	(58)	7		2	(58)	5		
Income (loss) before cumulative effect of change in accounting principle	1,685	2,544	103	(208)	1,297	2,450	285	302
Cumulative effect of change in accounting principle, net of income taxes	36				39		(3)	
Net income (loss)	1,721	2,544	103	(208)	1,336	2,450	282	302
Basic earnings per share								
Income before cumulative effect of change in accounting principle	1.89	2.86						
Cumulative effect of change in accounting principle, net of income taxes	0.04							
Net income	1.93	2.86						
Diluted earnings per share								
Income before cumulative effect of change in accounting principle	1.89	2.86						
Cumulative effect of change in accounting principle, net of income taxes	0.04							

Net income	1.93	2.86

(1) The income taxes of Eliminations, reclassifications and Corporate Treasury, Operations, and Financing and Real Estate are based on the consolidated effective corporate tax rate applied to income before income taxes.

(2) As of December 5, 2001, Siemens deconsolidated Infineon. The results of operations from Infineon for the first two months of the fiscal year 2002 period are included in Eliminations, reclassifications and Corporate Treasury. As of December 5, 2001, the share in earnings (loss) from Infineon is included in Income (loss) from investments in other companies, net in Operations.

The accompanying notes are an integral part of these consolidated financial statements.

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SIEMENS AG

CONSOLIDATED BALANCE SHEETS (unaudited)
As of June 30, 2003 and September 30, 2002
(in millions of)

	Siemens worldwide		Eliminations, reclassifications and Corporate Treasury		Operations		Financing and Real Estate	
	6/30/03	9/30/02	6/30/03	9/30/02	6/30/03	9/30/02	6/30/03	9/30/02
ASSETS								
Current assets								
Cash and cash equivalents	12,237	11,196	11,536	10,269	644	873	57	54
Marketable securities	805	399	101	25	684	356	20	18
Accounts receivable, net	13,886	15,230	(10)	(7)	10,725	12,058	3,171	3,179
Intracompany receivables			(9,973)	(13,284)	9,883	13,209	90	75
Inventories, net	11,056	10,672	(5)	(5)	11,039	10,592	22	85
Deferred income taxes	1,236	1,212	197	64	1,034	1,143	5	5
Other current assets	5,437	5,353	1,050	1,028	3,424	3,306	963	1,019
Total current assets	44,657	44,062	2,896	(1,910)	37,433	41,537	4,328	4,435
Long-term investments	5,560	5,092		2	5,239	4,797	321	293
Goodwill	6,140	6,459			6,059	6,369	81	90
Other intangible assets, net	2,349	2,384			2,328	2,362	21	22
Property, plant and equipment, net	10,811	11,742	1	2	7,130	7,628	3,680	4,112
Deferred income taxes	3,497	3,686	807	764	2,534	2,771	156	151
Other assets	4,206	4,514	98	103	1,491	1,304	2,617	3,107
Other intracompany receivables			(987)	(931)	987	931		
Total assets	77,220	77,939	2,815	(1,970)	63,201	67,699	11,204	12,210
LIABILITIES AND SHAREHOLDERS EQUITY								
Current liabilities								
Short-term debt and current maturities of long-term debt	1,974	2,103	398	1,143	1,456	785	120	175
Accounts payable	7,543	8,649	(10)	6	7,337	8,453	216	190
Intracompany liabilities			(6,906)	(7,776)	1,669	1,799	5,237	5,977
Accrued liabilities	9,568	9,608	18	18	9,274	9,445	276	145
Deferred income taxes	670	661	(237)	(206)	679	647	228	220
Other current liabilities	11,981	13,691	373	375	11,313	12,853	295	463
Total current liabilities	31,736	34,712	(6,364)	(6,440)	31,728	33,982	6,372	7,170
Long-term debt	12,448	10,243	11,317	6,833	695	2,974	436	436
Pension plans and similar commitments	5,130	5,326			5,102	5,299	28	27
Deferred income taxes	211	195	14	(50)	88	119	109	126
Other accruals and provisions	3,212	3,401	24	28	2,879	3,068	309	305
Other intracompany liabilities			(2,176)	(2,341)	226	45	1,950	2,296

	52,737	53,877	2,815	(1,970)	40,718	45,487	9,204	10,360
Minority interests	535	541			535	541		
Shareholders equity								
Common stock, no par value								
Authorized: 1,129,351,214 and 1,145,917,335 shares, respectively Issued: 890,474,546 and 890,374,001 shares, respectively	2,671	2,671						
Additional paid-in capital	5,055	5,053						
Retained earnings	22,304	21,471						
Accumulated other comprehensive income (loss)	(6,082)	(5,670)						
Treasury stock, at cost. 1,133 and 49,864 shares, respectively		(4)						

Interest Rate Cap (1)	$ 22	$ —	$ 22	$ —
Equity interest in Pulser Media (2)	104	—	—	104
Total assets	$ 126	$ —	$ 22	$ 104
Financial liabilities:				
Other current liabilities				
Contingent consideration (3)	$ (31)	$ —	$ —	$ (31)
Total liabilities	$ (31)	$ —	$ —	$ (31)

(1) Pursuant to the Interest Rate Cap, the Company pays a fixed interest rate on a $71.3 million notional amount of its term loan. The fair value of the Interest Rate Cap is determined based on a discounted cash flow analysis of the expected future cash flows using observable inputs, including interest rates and yield curves. Derivative valuations incorporate adjustments that are necessary to reflect the credit risk.

(2) On September 13, 2013, the Company and Pulser Media (the parent company of Rdio) ("Pulser"), entered into a five year strategic promotional partnership and sales arrangement (the "Rdio Agreement"). In exchange for $75 million of promotional commitments over five years, Cumulus will receive a 15% equity interest in Pulser, with the opportunity to earn additional equity, see Note 13 "Commitments and Contingencies". The fair value of the equity interest in Pulser was determined using inputs that are supported by little or no market activity (a Level 3 measurement). At September 30, 2014 the fair value of the equity interest in Pulser approximated its cost basis and the Company determined that the investment was not impaired.

(3) The fair value of the contingent consideration was determined using inputs that are supported by little or no market activity (a Level 3 measurement). Contingent consideration represents the fair value of the additional cash consideration potentially payable as part of the WFME Asset Exchange and Wise Brothers Acquisition. See Note 2

“Acquisitions and Dispositions”.

The assets associated with the Company’s Interest Rate Cap are measured within Level 2 of the fair value hierarchy. To estimate the fair value of the Interest Rate Cap, the Company used an industry standard cash valuation model, which utilizes a discounted cash flow approach, with all significant inputs derived from or corroborated by observable market data. See Note 6, “Derivative Financial Instruments.”

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The reconciliation below contains the components of the change in fair value associated with the equity interest in Pulser from January 1, 2014 to September 30, 2014 (dollars in thousands):

Description	Equity Interest in Pulser
Fair value balance at January 1, 2014	$ 104
Add: Additions to equity interest in Pulser	10,001
Fair value balance at September 30, 2014	$ 10,105

The reconciliation below contains the components of the change in continuing contingency associated with the contingent consideration from January 1, 2014 to September 30, 2014 (dollars in thousands):

Description	Contingent Consideration
Fair value balance at January 1, 2014	$ (31)
Add: Wise Brothers Acquisition	(150)
Fair value balance at September 30, 2014	$ (181)

Quantitative information regarding the significant unobservable inputs related to the WFME Asset Exchange contingent consideration as of September 30, 2014 was as follows (dollars in thousands):

Fair Value	Valuation Technique	Unobservable Inputs	
$ 31	Income Approach	Total term	5 years
		Conditions	3
		Bond equivalent yield discount rate	0.1 %

Significant increases (decreases) in any of the inputs in isolation would result in a lower (higher) fair value measurement.

Quantitative information regarding the significant unobservable inputs related to the Wise Brothers Acquisition contingent consideration as of September 30, 2014 was as follows (dollars in thousands):

Fair Value	Valuation Technique	Unobservable Inputs	
$ 150	Income Approach	Total term	2 years
		Conditions	4

Significant increases (decreases) in any of the inputs in isolation would result in a lower (higher) fair value measurement.

The following table shows the gross amount and fair value of the Company’s Term Loan, Securitization Facility and 7.75% Senior Notes (dollars in thousands):

	September 30, 2014	December 31, 2013
Term Loan:		
Carrying value	$ 1,953,875	$ 2,025,000
Fair value - Level 2	1,914,798	2,025,000
Securitization Facility:		
Carrying value	$—	$ 25,000
Fair value - Level 2	—	25,000
7.75% Senior Notes:		
Carrying value	$ 610,000	$ 610,000
Fair value - Level 2	620,675	641,598

As of September 30, 2014, the Company used trading prices of 98.00% to calculate the fair value of the Term Loan, and 101.75% to calculate the fair value of the 7.75% Senior Notes.

As of December 31, 2013, the Company used trading prices of 100.00% to calculate the fair value of the Term Loan and the Securitization Facility, and 105.18% to calculate the fair value of the 7.75% Senior Notes.

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9. Stockholders' Equity

The Company is authorized to issue an aggregate of 1,450,644,871 shares of stock divided into four classes consisting of: (i) 750,000,000 shares designated as Class A common stock, (ii) 600,000,000 shares designated as Class B common stock, (iii) 644,871 shares designated as Class C common stock and (iv) 100,000,000 shares of preferred stock, each with a par value of $0.01 per share.

On October 16, 2013, the Company issued and sold 18,860,000 shares of its Class A common stock in an underwritten public offering, which included the full exercise of the underwriter's over allotment option to purchase 2,460,000 shares, at a price of $5.00 per share. The Company received net proceeds after underwriting discounts and commissions and estimated offering expenses of $89.8 million and used approximately $78.0 million of the net proceeds from the offering to redeem all then-outstanding shares of the Company's Series B preferred stock, including accrued and unpaid dividends. The remaining net proceeds from the offering were placed in the Company's corporate treasury for general corporate purposes, and are being used from time to time for, among other things, repayment of debt, capital expenditures, the financing of possible business expansions and acquisitions, increasing the Company's working capital and the financing of ongoing operating expenses and overhead.

Common Stock

Except with regard to voting and conversion rights, shares of Class A, Class B and Class C common stock are identical in all respects. The preferences, qualifications, limitations, restrictions, and the special or relative rights in respect of the common stock and the various classes of common stock are as follows:

- Voting Rights. The holders of shares of Class A common stock are entitled to one vote per share on any matter submitted to a vote of the stockholders of the Company, and the holders of shares of Class C common stock are entitled to ten votes for each share of Class C common stock held. Generally, the holders of shares of Class B common stock are not entitled to vote on any matter. However, holders of Class B common stock and Class C common stock are entitled to a separate class vote on any amendment or modification of any specific rights or obligations of the holders of Class B common stock or Class C common stock, respectively, that does not similarly affect the rights or obligations of the holders of Class A common stock. The holders of Class A common stock and of Class C common stock vote together, as a single class, on all matters submitted to a vote to the stockholders of the Company.

- Conversion. Each holder of Class B common stock and Class C common stock is entitled to convert at any time all or any part of such holder's shares into an equal number of shares of Class A common stock; provided, however, that to the extent that such conversion would result in the holder holding more than 4.99% of the Class A common stock following such conversion, the holder will first be required to deliver to the Company an ownership certification to enable the Company to (a) determine that such holder does not have an attributable interest in another entity that would cause the Company to violate applicable FCC rules and regulations and (b) obtain any necessary approvals from the FCC or the Department of Justice. During the nine months ended September 30, 2014, all of the approximately 3.3 million shares of outstanding Class B common stock were converted into shares of Class A common stock.

After payment of dividends to the holders of any outstanding shares of Series B Preferred Stock, the holders of all classes of common stock are entitled to share ratably in any dividends that may be declared by the board of directors of the Company.

2009 Warrants

In June 2009, in connection with the execution of an amendment to the Company's then-outstanding credit agreement, the Company issued warrants to the lenders thereunder that allow them to acquire up to 1.3 million shares of Class A common stock at an exercise price of $1.17 per share (the "2009 Warrants"). The 2009 Warrants expire on June 29, 2019. The number of shares of Class A common stock issuable upon exercise of the 2009 Warrants is subject to adjustment in certain circumstances, including upon the payment of a dividend in shares of Class A common stock. At September 30, 2014, 0.5 million 2009 Warrants remained outstanding.

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Equity Held in Reserve

Pursuant to the agreement governing the Company's acquisition of Citadel Broadcasting Company ("Citadel") in 2011 (the "Citadel Merger"), warrants to purchase 2.4 million shares of the Company’s common stock were reserved for potential future issuance in connection with the settlement of certain remaining allowed, disputed or not reconciled claims related to Citadel's bankruptcy. As part of the June 2014 completion of proceedings related to the Citadel Bankruptcy, the 2.4 million shares were issued for $25.0 million from treasury stock. The equity held in reserve was included in additional paid-in-capital on the accompanying unaudited condensed consolidated balance sheet at December 31, 2013.

Company Warrants

As a component of the Citadel Merger and the related financing transactions, the Company issued warrants to purchase an aggregate of 71.7 million shares of Class A common stock (the "Company Warrants") under a warrant agreement dated September 16, 2011 (the "Warrant Agreement"). The Company Warrants are exercisable at any time prior to June 3, 2030 at an exercise price of $0.01 per share. The exercise price of the Company Warrants is not subject to any anti-dilution protection, other than standard adjustments in the case of stock splits, dividends and the like. Pursuant to the terms and conditions of the Warrant Agreement, upon the request of a holder, the Company has the discretion to issue, upon exercise of the Company Warrants, shares of Class B common stock in lieu of an equal number of shares of Class A common stock and, upon request of a holder and at the Company’s discretion, the Company has the right to exchange such warrants to purchase an equivalent number of shares of Class B common stock for outstanding warrants to purchase shares of Class A common stock.

Conversion of the Company Warrants is subject to compliance with applicable FCC regulations, and the Company Warrants are exercisable provided that ownership of the Company’s securities by the holder does not cause the Company to violate applicable FCC rules and regulations relating to foreign ownership of broadcasting licenses. Holders of Company Warrants are entitled to participate ratably in any distributions on the Company’s common stock on an as-exercised basis. No distribution will be made to holders of Company Warrants or common stock if (i) an FCC ruling, regulation or policy prohibits such distribution to holders of Company Warrants or (ii) the Company’s FCC counsel opines that such distribution is reasonably likely to cause (a) the Company to violate any applicable FCC rules or regulations or (b) any holder of Company Warrants to be deemed to hold an attributable interest in the Company.

During the three months ended September 30, 2014, approximately 0.3 million Company Warrants were converted into shares of Class A common stock. At September 30, 2014, 2.2 million Company Warrants remained outstanding.

Crestview Warrants

Also on September 16, 2011, but pursuant to a separate warrant agreement, the Company issued warrants to purchase 7.8 million shares of Class A common stock with an exercise price, as adjusted to date, of $4.34 per share (the "Crestview Warrants"). The Crestview Warrants are exercisable until September 16, 2021, and the per share exercise price is subject to standard weighted average adjustments in the event that the Company issues additional shares of common stock or common stock derivatives for less than the fair market value per share, as defined in the Crestview Warrants, as of the date of such issuance. In addition, the number of shares of Class A common stock issuable upon exercise of the Crestview Warrants, and the exercise price of the Crestview Warrants, are subject to adjustment in the, case of stock splits, dividends and the like. As of September 30, 2014, all 7.8 million Crestview Warrants remained outstanding.

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10. Stock-Based Compensation Expense

On February 16, 2012, the Company granted 161,724 shares of time-vesting restricted Class A common stock, with an aggregate grant date fair value of $0.6 million, to the non-employee directors of the Company with a cliff vesting term of one year. In addition, on February 16, 2012, the Company granted time-vesting stock options to purchase 1.4 million shares of Class A common stock to certain employees, with an aggregate grant date fair value of $3.3 million. The options have an exercise price of $4.34 per share, with 30% of the awards having vested on each of September 16, 2012 and February 16, 2013, and 20% having vested on February 16, 2014 and the final 20% vesting on February 16, 2015.

On December 27, 2012, the Company issued stock options to an officer of the Company exercisable for 0.8 million shares of Class A common stock with an aggregate grant date fair value of $1.1 million. The options have an exercise price of $4.34 per share, and provide for vesting on each of the first four anniversaries of the date of grant, with 30% of the award vesting on each of the first two anniversaries thereof, and 20% of the award vesting on each of the next two anniversaries thereof.

On May 9, 2013, the Company granted 168,540 shares of time-vesting restricted Class A common stock, with an aggregate grant fair value of $0.6 million, to the non-employee directors of the Company with a cliff vesting term of one year.

On May 22, 2014, the Company granted 93,312 shares of time-vesting restricted Class A common stock, with an aggregate grant fair value of $0.6 million, to the non-employee directors of the Company with a cliff vesting term of one year.

During the three months ended September 30, 2014, the Company granted 0.3 million stock options with an aggregate grant date fair value of $1.0 million. During the nine months ended September 30, 2014, the Company granted 0.7 million stock options with an aggregate grant date fair value of $2.7 million. The options range in exercise price from $5.56 to $7.74 per share, and provide for vesting on each of the first four anniversaries of the date of grant, with 30% of the award vesting on each of the first two anniversaries thereof, and 20% of the award vesting on each of the next two anniversaries thereof.

For the three and nine months ended September 30, 2014, and 2013, the Company recognized approximately $4.4 million, $12.6 million, $2.3 million and $7.4 million, respectively, in stock-based compensation expense related to equity awards.

As of September 30, 2014, unrecognized stock-based compensation expense of approximately $30.4 million related to equity awards is expected to be recognized over a weighted average remaining life of 2.42 years. Unrecognized stock-based compensation expense for equity awards will be adjusted for future changes in estimated forfeitures.

The total fair value of restricted stock awards that vested during the three and nine months ended September 30, 2014 was $0.0 million and $2.1 million, respectively. The total fair value of restricted stock awards that vested during each of the three and nine months ended September 30, 2013 was $0.0 million and $1.6 million, respectively. 1.3 million and 0.1 million stock options were exercised during the nine months ended September 30, 2014 and 2013, respectively.

11. Earnings (Loss) Per Share

For all periods presented, the Company has disclosed basic and diluted earnings (loss) per common share utilizing the two-class method. Basic earnings (loss) per common share is calculated by dividing net income (loss) available to common shareholders by the weighted average number of shares of common stock outstanding during the period. In accordance with the terms of the Company's certificate of incorporation, the Company allocates undistributed net income (loss) from continuing operations after any allocation for preferred stock dividends between each class of common stock on an equal basis.

Non-vested restricted shares of Class A common stock and the Company Warrants are considered participating securities for purposes of calculating basic weighted average common shares outstanding in periods in which the Company records net income. Diluted earnings (loss) per share is computed in the same manner as basic earnings (loss) per share after assuming issuance of common stock for all potentially dilutive equivalent shares, which includes stock options and certain other warrants to purchase common stock. Antidilutive instruments are not considered in this

calculation. Under the two-class method, net income (loss) is allocated to common stock and participating securities to the extent that each security may share in earnings (loss), as if all of the earnings (loss) for the period had been distributed. Earnings (loss) are allocated to each participating security and common shares equally, after deducting dividends declared or accretion on preferred stock. The following table sets forth the computation of basic and diluted earnings (loss) per common share for the three and nine months ended September 30, 2014 and 2013 (amounts in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Basic Income (Loss) Per Share				
Numerator:				
Undistributed net income (loss) from continuing operations	$2,540	$10,492	$8,408	$(1,059)
Less:				
Dividends declared on redeemable preferred stock	—	4,091	—	9,395
Accretion of redeemable preferred stock	—	486	—	2,474
Participation rights of the Company Warrants in undistributed earnings	25	896	318	—
Participation rights of unvested restricted stock in undistributed earnings	2	12	9	—
Basic undistributed net income (loss) from continuing operations attributable to common shares	$2,513	$5,007	$8,081	$(12,928)
Denominator:				
Basic weighted average shares outstanding	231,885	179,700	224,075	176,995
Basic undistributed net income (loss) from continuing operations per share--attributable to common shares	$0.01	$0.03	$0.04	$(0.07)
Diluted Income (Loss) Per Share:				
Numerator:				
Undistributed net income (loss) from continuing operations	$2,540	$10,492	$8,408	$(1,059)
Less:				
Dividends declared on redeemable preferred stock	—	4,091	—	9,395
Accretion of redeemable preferred stock	—	486	—	2,474
Participation rights of the Company Warrants in undistributed net earnings	25	881	313	—
Participation rights of unvested restricted stock in undistributed earnings	2	12	9	—
Basic undistributed net income (loss) from continuing operations attributable to common shares	$2,513	$5,022	$8,086	$(12,928)
Denominator:				
Basic weighted average shares outstanding	231,885	179,700	224,075	176,995
Effect of dilutive stock options and warrants	1,337	3,432	3,728	—
Diluted weighted average shares outstanding	233,222	183,132	227,803	176,995
Diluted undistributed net income (loss) from continuing operations attributable to common shares	$0.01	$0.03	$0.04	$(0.07)

12. Income Taxes

For the three months ended September 30, 2014, the Company recorded income tax expense of $3.5 million on pre-tax income from continuing operations of $6.0 million, resulting in an effective tax rate for the three months ended September 30, 2014 of approximately 58.3%. For the three months ended September 30, 2013, the Company recorded income tax expense of $7.0 million on pre-tax income from continuing operations of $17.5 million, resulting in an effective tax rate for the three months ended September 30, 2013 of approximately 40.0%.

The difference between the effective tax rate and the federal statutory rate of 35.0% for the three months ended September 30, 2014 primarily relates to state and local income taxes and changes in the valuation allowance on certain separate company filing jurisdiction net operating losses. For the three months ended September 30, 2013, the primary differences

between the effective tax rate and federal statutory rate of 35.0% relate to state and local income taxes and tax amortization of broadcast licenses and goodwill as well as an allocation of the total tax provision to discontinued operations.

For the nine months ended September 30, 2014, the Company recorded income tax expense of $6.7 million on pre-tax income from continuing operations of $15.1 million, resulting in an effective tax rate for the nine months ended September 30, 2014 of approximately 44.4%. For the nine months ended September 30, 2013, the Company recorded an income tax expense of $19.0 million on pre-tax income from continuing operations of $18.0 million, resulting in an effective tax rate for the nine months ended September 30, 2013 of approximately 105.6%.

The difference between the effective tax rate and the federal statutory rate of 35.0% for the nine months ended September 30, 2014 primarily relates to state and local income taxes and changes in the valuation allowance on certain separate company filing jurisdiction net operating losses. For the nine months ended September 30, 2013, the primary differences between the effective tax rate and federal statutory rate of 35.0% relate to state and local income taxes, tax amortization of broadcast licenses and an allocation of a tax benefit to discontinued operations.

The Company continually reviews the adequacy of the valuation allowance and recognizes the benefits of deferred tax assets only as the reassessment indicates that it is more likely than not that the deferred tax assets will be recognized in accordance with ASC Topic 740. As of September 30, 2014, the Company continues to maintain a partial valuation allowance on certain state net operating loss carryforwards for which the Company does not believe they will be able to meet the more likely than not recognition standard for recovery. As of September 30, 2013, the Company maintained a full valuation allowance on its net deferred tax assets excluding deferred tax liabilities associated with the Company's indefinite lived intangible assets and deferred cancellation of debt income for which no estimated amount of deferred tax assets were available to satisfy. The valuation of deferred tax assets requires judgment in assessing the likely future tax consequences of events that have been recognized in the Company's financial statements or tax returns as well as future profitability.

We believe our annual effective tax rate before discrete items for fiscal year 2014 will be approximately 47.3%. The difference between the annual estimated effective tax rate and the federal statutory rate of 35% primarily relates to the valuation allowance on certain separate company net operating losses incurred in 2014.

13. Commitments and Contingencies

Future Commitments

Effective December 31, 2009, the Company’s radio music license agreements with the two largest performance rights organizations, The American Society of Composers, Authors and Publishers (“ASCAP”) and Broadcast Music, Inc. (“BMI”), expired. In January 2010, the Radio Music License Committee (the “RMLC”), which negotiates music licensing fees for most of the radio industry with ASCAP and BMI, filed motions in the New York courts against these organizations on behalf of the radio industry, seeking interim fees and a determination of fair and reasonable industry-wide license fees. During 2010, the courts approved reduced interim fees for ASCAP and BMI. On January 27, 2012, the Federal District Court for the Southern District of New York approved a settlement between the RMLC and ASCAP concerning the fees payable covering the period January 1, 2010 through December 31, 2016. Included in the agreement is a $75.0 million industry fee credit against fees previously paid in 2010 and 2011, with such fees to be credited over the remaining period of the contract. The Company began recognizing the ASCAP credits as a reduction in direct operating expenses on January 1, 2012. On August 28, 2012, the Federal District Court for the Southern District of New York approved a settlement between the RMLC and BMI concerning the fees payable covering the period January 1, 2010 through December 31, 2016. Included in the agreement was a $70.5 million industry fee credit against fees previously paid in 2010 and 2011, with such fees having been made immediately available to the industry.

The radio broadcast industry’s principal ratings service is Nielsen Audio, which publishes surveys for domestic radio markets. Certain of the Company’s subsidiaries have agreements with Nielsen Audio under which they receive programming ratings materials in a majority of their respective markets. The remaining aggregate obligation under the agreements with

Nielsen Audio is approximately $136.4 million and is expected to be paid in accordance with the agreements through December 2017.

The Company engages Katz Media Group, Inc. (“Katz”) as its national advertising sales agent. The national advertising agency contract with Katz contains termination provisions that, if exercised by the Company during the term of the contract, would obligate the Company to pay a termination fee to Katz, calculated based upon a formula set forth in the contract.

On September 13, 2013, the Company and Pulser entered into the Rdio Agreement which provides that Cumulus will act as the exclusive promotional agent for Rdio ad products, including display, mobile, in-line audio, synced banners and other digital inventory that may become available from time to time. In exchange for $75.0 million of promotional commitments over five years, Cumulus will receive 15% of the equity interests of Pulser, with the opportunity to earn additional equity in the form of warrants based on the achievement of certain performance milestones over the term of the Rdio Agreement. The Company will record the equity received for services at fair value and will evaluate the investment for impairment in subsequent periods.

The Company is committed under various contractual agreements to pay for broadcast rights that include news services and to pay for executives, talent, research, weather and other services.

The Company from time to time enters into radio network contractual obligations to guarantee a minimum amount of revenue share to contractual counterparties on certain programming in future years. Generally, these guarantees are subject to decreases dependent on clearance targets achieved. As of September 30, 2014, the Company believes that it will meet such minimum obligations.

On January 2, 2014 (the "Commencement Date”), Merlin Media, LLC (“Merlin”) and the Company entered into an LMA. Under this LMA, the Company is responsible for operating two FM radio stations in Chicago, Illinois, for monthly fees payable to Merlin of approximately $0.3 million, $0.4 million, $0.5 million and $0.6 million in the first, second, third and fourth years following the Commencement Date, respectively, in exchange for the Company retaining the operating profits from these radio stations.

In connection therewith, the Company and Merlin also entered into an agreement pursuant to which the Company has the right to purchase these two FM radio stations until October 4, 2017, for an amount in cash equal to the greater of (i) $70.0 million minus the aggregate amount of monthly fees paid by the Company on or prior to the earlier of the closing date or the date that is four years after the Commencement Date; or (ii) $50.0 million, and Merlin has the right to require the Company to purchase these two FM radio stations at any time during a ten-day period commencing October 4, 2017 for $71.0 million, minus the aggregate amount of monthly fees paid by the Company on or prior to the earlier of the closing date and the date that is four years after the Commencement Date.

The Company determined through its review of the requirements of ASC Topic 810, Consolidation ("ASC 810") that the Company is not the primary beneficiary of the LMA with Merlin, and, therefore consolidation of the stations is not required.

On April 1, 2014, the Company initiated an exit plan for a lease due to a restructuring in connection with the acquisition of WestwoodOne (the "Exit Plan"), which includes charges related to terminated contract costs. In connection with the Exit Plan, the Company recorded restructuring costs of $0.1 million and $5.2 million for the three and nine months ended September 30, 2014, respectively, which costs are included in corporate expenses in the condensed consolidated statement of operations. As of September 30, 2014, liabilities related to the Exit Plan of $0.4 million were included in accounts payable and accrued expenses and are expected to be paid within one year and $4.4 million of non-current liabilities are included in other liabilities in the condensed consolidated balance sheet. We anticipate no additional future charges for the Exit Plan other than true-ups to closed facilities lease charges and accretion expense.

On April 25, 2014, the Company entered into an LMA with Universal Media Access, LLC “(Universal”) pursuant to which the Company will be responsible for operating one FM radio station serving San Jose and San Francisco, California for a fixed fee to Universal of approximately $1.4 million each year for two years in exchange for the Company retaining the operating profits from this radio station.

In connection therewith, the Company and Universal also entered into an agreement pursuant to which the Company has the right to purchase the radio station at any time from April 25, 2014 until April 5, 2016 for $14.8 million minus

the aggregate amount of monthly LMA fees paid by the Company on or prior to the earlier of the closing date or the date that is 18 months after April 25, 2014. In addition, Universal has the right to require the Company to purchase the station at any time during a ten-day period commencing April 5, 2016 for $14.8 million, minus the aggregate amount of fees paid by the Company on or prior to the earlier of the closing date and the date that is two years after April 25, 2014.

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The Company determined through its review of the requirements of ASC 810 that the Company is not the primary beneficiary of the LMA with Universal, and, therefore consolidation of the station is not required.

As described in Note 2, “Acquisitions and Dispositions”, the Company may be required to pay additional cash consideration for the acquisitions of WFME in New York and Wise Brothers.

Legal Proceedings

We are currently party to, or a defendant in, various claims or lawsuits that are generally incidental to our business. We also expect that from time to time in the future we will be party to, or a defendant in, various claims or lawsuits that are generally incidental to our business. We expect that we will vigorously contest any such claims or lawsuits and believe that the ultimate resolution of any known claim or lawsuit will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

14. Supplemental Condensed Consolidating Financial Information

At September 30, 2014, Cumulus (the "Parent Guarantor") and certain of its 100% owned subsidiaries (such subsidiaries, the “Subsidiary Guarantors”) provided guarantees of the obligations of Cumulus Holdings (the "Subsidiary Issuer") under the 7.75% Senior Notes. These guarantees are full and unconditional (subject to customary release provisions) as well as joint and several. Certain of the Subsidiary Guarantors may be subject to restrictions on their respective ability to distribute earnings to Cumulus Holdings or the Parent Guarantor. Not all of the subsidiaries of Cumulus and Cumulus Holdings guarantee the 7.75% Senior Notes (such non-guaranteeing subsidiaries, collectively, the “Subsidiary Non-guarantors”).

The following tables present (i) unaudited condensed consolidating statements of operations for the three and nine months ended September 30, 2014 and 2013, (ii) unaudited condensed consolidating balance sheets as of September 30, 2014 and December 31, 2013, and (iii) unaudited condensed consolidating statements of cash flows for the nine months ended September 30, 2014 and 2013, of each of the Parent Guarantor, Cumulus Holdings, the Subsidiary Guarantors, and the Subsidiary Non-guarantors. The results have been adjusted for discontinued operations (see Note 3 "Discontinued Operations").

Investments in consolidated subsidiaries are held primarily by the Parent Guarantor in the net assets of its subsidiaries and have been presented using the equity method of accounting. The “Eliminations” entries in the following tables primarily eliminate investments in subsidiaries and intercompany balances and transactions. The columnar presentations in the following tables are not consistent with the Company’s business groups; accordingly, this basis of presentation is not intended to present the Company’s financial condition, results of operations or cash flows on a consolidated basis.

Revision to Prior Period Financial Statements

During the fourth quarter of 2013, Cumulus Media Inc. determined that it did not properly classify certain intercompany transactions in its supplemental condensed consolidating financial information footnote in previous 2013 interim periods. Specifically, the Company should have presented the changes in assets and liabilities within operating activities for the Parent Guarantor as intercompany transactions, net within financing activities. There was no impact on the condensed consolidated balance sheet or statement of income.

In accordance with accounting guidance found in ASC 250-10 (SEC Staff Accounting Bulletin No. 99, Materiality), the Company assessed the materiality of the errors and concluded that the errors were not material to any of the Company’s previously issued financial statements. As permitted by the accounting guidance found in ASC 250-10 (SEC Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements), the Company has presented a revised condensed consolidated statement of cash flows for the nine months ended September 30, 2013 and will revise the interim condensed consolidated statements of cash flows in future quarterly filings.

Reclassifications

Certain account balances in the 2013 periods have been reclassified to conform with classifications currently in use. In the accompanying unaudited condensed consolidating statements of operations the Company separately presents content costs and other direct operating expenses as operating expense categories. In certain of the Company's historical disclosures, those line items were presented on a combined basis within the direct operating expenses line

item in the statement of operations. Content costs consist of all costs related to the licensing, acquisition and development of the Company's programming. Other direct operating expenses consist of expenses related to the distribution and monetization of the Company's content across its platform and overhead expenses. There were no other costs included in direct operating expenses in 2013.

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CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended September 30, 2014
(Dollars in thousands)
(Unaudited)

	Cumulus Media Inc. (Parent Guarantor)	Cumulus Media Holdings Inc. (Subsidiary Issuer)	Subsidiary Guarantors	Subsidiary Non-guarantors	Eliminations	Total Consolidated
Net revenue	$—	$125	$313,760	$ —	$—	$313,885
Operating expenses:						
Content costs	—	—	106,574	—	—	106,574
Other direct operating expenses	—	—	119,455	409	—	119,864
Depreciation and amortization	—	428	28,715	—	—	29,143
LMA fees	—	—	2,021	—	—	2,021
Corporate expenses (including stock-based compensation expense of $4,399)	—	14,756	—	—	—	14,756
Gain on sale of assets or stations	—	—	(373)	—	—	(373)
Total operating expenses	—	15,184	256,392	409	—	271,985
Operating (loss) income	—	(15,059)	57,368	(409)	—	41,900
Non-operating (expense) income:						
Interest expense	(2,184)	(34,416)	—	(47)	—	(36,647)
Interest income	—	—	352	—	—	352
Other income, net	—	—	443	—	—	443
Total non-operating (expense) income, net	(2,184)	(34,416)	795	(47)	—	(35,852)
(Loss) income before income taxes	(2,184)	(49,475)	58,163	(456)	—	6,048
Income tax benefit (expense)	1,427	31,750	(37,008)	323		(3,508)
(Loss) income from continuing operations	(757)	(17,725)	21,155	(133)	—	2,540
Earnings (loss) from consolidated subsidiaries	3,297	21,022	(133)	—	(24,186)	—
Net income (loss)	$2,540	$3,297	$21,022	$ (133)	$ (24,186)	$2,540

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CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Nine Months Ended September 30, 2014
(Dollars in thousands)
(Unaudited)

	Cumulus Media Inc. (Parent Guarantor)	Cumulus Media Holdings Inc. (Subsidiary Issuer)	Subsidiary Guarantors	Subsidiary Non-guarantors	Eliminations	Total Consolidated
Net revenue	$—	$354	$933,822	$ —	$—	$934,176
Operating expenses:						
Content costs	—	—	316,868	—	—	316,868
Other direct operating expenses	—	—	352,036	1,552	—	353,588
Depreciation and amortization	—	1,346	85,749	—	—	87,095
LMA fees	—	—	5,226	—	—	5,226
Corporate expenses (including stock-based compensation expense of $12,645)	—	53,215	—	—	—	53,215
Gain on sale of assets or stations	—	—	(1,271)	—	—	(1,271)
Total operating expenses	—	54,561	758,608	1,552	—	814,721
Operating (loss) income	—	(54,207)	175,214	(1,552)	—	119,455
Non-operating (expense) income:						
Interest expense	(7,165)	(101,999)	—	(216)	—	(109,380)
Interest income	—	—	1,024	—	—	1,024
Other income, net	—	—	3,972	—	—	3,972
Total non-operating (expense) income, net	(7,165)	(101,999)	4,996	(216)	—	(104,384)
(Loss) income before income taxes	(7,165)	(156,206)	180,210	(1,768)	—	15,071
Income tax benefit (expense)	3,168	69,064	(79,677)	782		(6,663)
(Loss) income from continuing operations	(3,997)	(87,142)	100,533	(986)	—	8,408
Earnings (loss) from consolidated subsidiaries	12,405	99,547	(986)	—	(110,966)	—
Net income (loss)	$8,408	$12,405	$99,547	$ (986)	$(110,966)	$8,408

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CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended September 30, 2013
(Dollars in thousands)
(Unaudited)

	Cumulus Media Inc. (Parent Guarantor)	Cumulus Media Holdings Inc. (Subsidiary Issuer)	Subsidiary Guarantors	Subsidiary Non-guarantors	Eliminations	Total Consolidated
Net revenue	$—	$917	$261,618	$ —	$—	$ 262,535
Operating expenses:						
Content costs	—	—	65,559	—	—	65,559
Other direct operating expenses	—	—	98,674	528	—	99,202
Depreciation and amortization	—	471	27,143	—	—	27,614
LMA fees	—	—	609	—	—	609
Corporate expenses (including stock-based compensation expense of $2,259)	—	11,757	—	—	—	11,757
Loss on sale of assets or stations	—	—	(5,198)	—	—	(5,198)
Gain on derivative instrument	—	—	172	—	—	172
Total operating expenses	—	12,228	186,959	528	—	199,715
Operating (loss) income	—	(11,311)	74,659	(528)	—	62,820
Non-operating (expense) income:						
Interest expense	(2,378)	(43,124)	—	—	—	(45,502)
Interest income	—	—	308	—	—	308
Other expense, net	—	—	(139)	—	—	(139)
Total non-operating (expense) income, net	(2,378)	(43,124)	169	—	—	(45,333)
(Loss) income before income taxes	(2,378)	(54,435)	74,828	(528)	—	17,487
Income tax benefit (expense)	—	—	49,113	(56,108)	—	(6,995)
(Loss) income from continuing operations	(2,378)	(54,435)	123,941	(56,636)	—	10,492
(Loss) income from discontinued operations, net of taxes	—	—	(44,094)	40,639	—	(3,455)
Earnings (loss) from consolidated subsidiaries	9,415	63,850	(15,997)	—	(57,268)	—
Net income (loss)	$7,037	$9,415	$63,850	$ (15,997)	$ (57,268)	$ 7,037

CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Nine Months Ended September 30, 2013
(Dollars in thousands)
(Unaudited)

	Cumulus Media Inc. (Parent Guarantor)	Cumulus Media Holdings Inc. (Subsidiary Issuer)	Subsidiary Guarantors	Subsidiary Non-guarantors	Eliminations	Total Consolidated
Net revenue	$—	$917	$749,763	$ —	$—	$ 750,680
Operating expenses:						
Content costs	—	—	189,765	—	—	189,765
Other direct operating expenses	—	—	291,035	1,541	—	292,576
Depreciation and amortization	—	1,451	81,363	—	—	82,814
LMA fees	—	—	2,293	—	—	2,293
Corporate expenses (including stock-based compensation expense of $7,393)	—	33,517	—	—	—	33,517
Loss on sale of assets or stations	—	—	(3,662)	—	—	(3,662)
Gain on derivative instrument	—	—	(2,672)	—	—	(2,672)
Total operating expenses	—	34,968	558,122	1,541	—	594,631
Operating (loss) income	—	(34,051)	191,641	(1,541)	—	156,049
Non-operating (expense) income:						
Interest expense	(8,186)	(126,035)	—	—	—	(134,221)
Interest income	—	—	942	—	—	942
Loss on early extinguishment of debt	—	(4,539)	—	—	—	(4,539)
Other expense, net	—	—	(247)	—	—	(247)
Total non-operating (expense) income, net	(8,186)	(130,574)	695	—	—	(138,065)
(Loss) income before income taxes	(8,186)	(164,625)	192,336	(1,541)	—	17,984
Income tax benefit (expense)	—	—	13,276	(32,319)	—	(19,043)
(Loss) income from continuing operations	(8,186)	(164,625)	205,612	(33,860)	—	(1,059)
Income from discontinued operations, net of taxes	—	—	17,795	8,412	—	26,207
Earnings (loss) from consolidated subsidiaries	33,334	197,959	(25,448)	—	(205,845)	—
Net income (loss)	$25,148	$33,334	$197,959	$ (25,448)	$ (205,845)	$ 25,148

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CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
September 30, 2014
(Dollars in thousands, except for share and per share data)
(Unaudited)

	Cumulus Media Inc. (Parent Guarantor)	Cumulus Media Holdings Inc. (Subsidiary Issuer)	Subsidiary Guarantors	Subsidiary Non-guarantors	Eliminations	Total Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$—	$26,489	$268	$ —	$—	$26,757
Restricted cash	—	10,346	—	—	—	10,346
Accounts receivable, less allowance for doubtful accounts of $5,043	—	—	—	239,578	—	239,578
Trade receivable	—	—	3,733	—	—	3,733
Asset held for sale		—	15,007	—	—	15,007
Prepaid expenses and other current assets	—	24,820	22,203	—	—	47,023
Total current assets	—	61,655	41,211	239,578	—	342,444
Property and equipment, net	—	2,060	222,660	—	—	224,720
Broadcast licenses	—	—	—	1,596,715	—	1,596,715
Other intangible assets, net	—	—	261,405	—	—	261,405
Goodwill	—	—	1,255,519	—	—	1,255,519
Investment in consolidated subsidiaries	616,828	4,160,697	1,121,176	—	(5,898,701)	—
Intercompany receivables, net	—	84,391	1,399,949	—	(1,484,340)	—
Other assets	—	44,502	20,559	791	—	65,852
Total assets	$616,828	$4,353,305	$4,322,479	$ 1,837,084	$(7,383,041)	$3,746,655
Liabilities and Stockholders' Equity (Deficit)						
Current liabilities:						
Accounts payable and accrued expenses	$—	$31,689	$96,197	$ —	$—	$127,886
Trade payable	—	—	4,259	—	—	4,259
Total current liabilities	—	31,689	100,456	—	—	132,145
Long-term debt, excluding 7.75% Senior Notes	—	1,923,987	—	—	—	1,923,987
7.75% Senior Notes	—	610,000	—	—	—	610,000
Other liabilities	—	10,430	61,326	—	—	71,756
Intercompany payables, net	83,600	1,160,371	—	240,369	(1,484,340)	—
Deferred income taxes	—	—	—	475,539	—	475,539
Total liabilities	83,600	3,736,477	161,782	715,908	(1,484,340)	3,213,427
Stockholders' equity (deficit):						
Class A common stock, par value $0.01 per share; 750,000,000	2,541	—	—	—	—	2,541

shares authorized; 254,149,893 shares issued and 231,555,276 shares outstanding						
Class C common stock, par value $0.01 per share; 644,871 shares authorized, issued and outstanding	6	—	—	—	—	6
Treasury stock, at cost, 22,594,617 shares	(231,517)	—	—	—	—	(231,517)
Additional paid-in-capital	1,595,910	238,672	4,219,656	2,095,935	(6,554,263)	1,595,910
Accumulated (deficit) equity	(833,712)	378,156	(58,959)	(974,759)	655,562	(833,712)
Total stockholders' equity (deficit)	533,228	616,828	4,160,697	1,121,176	(5,898,701)	533,228
Total liabilities and stockholders' equity (deficit)	$616,828	$4,353,305	$4,322,479	$ 1,837,084	$(7,383,041)	$3,746,655

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CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
December 31, 2013
(Dollars in thousands, except for share and per share data)
(Unaudited)

	Cumulus Media Inc. (Parent Guarantor)	Cumulus Media Holdings Inc. (Subsidiary Issuer)	Subsidiary Guarantors	Subsidiary Non-guarantors	Eliminations	Total Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$11,804	$20,988	$—	$ —	$—	$ 32,792
Restricted cash	—	6,146	—	—	—	6,146
Accounts receivable, less allowance for doubtful accounts of $5,306	—	—	—	264,805	—	264,805
Trade receivable	—	—	4,419	—	—	4,419
Prepaid expenses and other current assets	—	5,948	62,945	—	—	68,893
Total current assets	11,804	33,082	67,364	264,805	—	377,055
Property and equipment, net	—	3,272	251,430	—	—	254,702
Broadcast licenses	—	—	—	1,596,337	—	1,596,337
Other intangible assets, net	—	—	315,490	—	—	315,490
Goodwill	—	—	1,256,741	—	—	1,256,741
Investment in consolidated subsidiaries	589,163	3,824,690	1,118,952	—	(5,532,805)	—
Intercompany receivables, net	—	88,227	1,011,218	24,090	(1,123,535)	—
Other assets	—	46,774	22,440	896	—	70,110
Total assets	$600,967	$3,996,045	$4,043,635	$ 1,886,128	$(6,656,340)	$3,870,435
Liabilities and Stockholders' Equity (Deficit)						
Current liabilities:						
Accounts payable and accrued expenses	$—	$24,966	$121,521	$ 50	$—	$146,537
Trade payable	—	—	3,846	—	—	3,846
Current portion of long-term debt	—	5,937	—	—	—	5,937
Total current liabilities	—	30,903	125,367	50	—	156,320
Long-term debt, excluding 7.75% Senior Notes	—	1,985,956	—	—	—	1,985,956
7.75% Senior Notes	—	610,000	—	—	—	610,000
Secured loan	—	—	—	25,000	—	25,000
Other liabilities	—	10,430	69,483	—	—	79,913
Intercompany payables, net	88,227	769,593	—	265,715	(1,123,535)	—
Deferred income taxes	—	—	24,095	476,411	—	500,506
Total liabilities	88,227	3,406,882	218,945	767,176	(1,123,535)	3,357,695
Stockholders' equity (deficit):						
	2,223	—	—	—	—	2,223

Class A common stock, par value $0.01 per share; 750,000,000 shares authorized; 222,399,019 shares issued and 198,193,819 shares outstanding						
Class B common stock, par value $0.01 per share; 600,000,000 shares authorized; 15,424,944 shares issued and outstanding	154	—	—	—	—	154
Class C common stock, par value $0.01 per share; 644,871 shares authorized, issued and outstanding	6	—	—	—	—	6
Treasury stock, at cost, 24,205,200 shares	(251,193)	—	—	—	—	(251,193)
Additional paid-in-capital	1,603,669	223,412	3,983,196	2,092,725	(6,299,333)	1,603,669
Accumulated (deficit) equity	(842,119)	365,751	(158,506)	(973,773)	766,528	(842,119)
Total stockholders' equity (deficit)	512,740	589,163	3,824,690	1,118,952	(5,532,805)	512,740
Total liabilities, redeemable preferred stock and stockholders' equity (deficit)	$600,967	$3,996,045	$4,043,635	$ 1,886,128	$(6,656,340)	$3,870,435

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CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended September 30, 2014
(Dollars in thousands)
(Unaudited)

	Cumulus Media Inc. (Parent Guarantor)	Cumulus Media Holdings Inc. (Subsidiary Issuer)	Subsidiary Guarantors	Subsidiary Non-guarantors	Eliminations	Total Consolidated
Cash flows from operating activities:						
Net income (loss)	$8,408	$12,405	$99,547	$ (986)	$(110,966)	$8,408
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:						
Depreciation and amortization	—	1,346	85,749	—	—	87,095
Amortization of debt issuance costs/discounts	—	6,886	—	143	—	7,029
Provision for doubtful accounts	—	—	2,468	—	—	2,468
Gain on sale of assets or stations	—	—	(1,271)	—	—	(1,271)
Fair value adjustment of derivative instruments	—	21	—	—	—	21
Deferred income taxes	(3,168)	(69,064)	79,677	(782)	—	6,663
Stock-based compensation expense	—	12,645	—	—	—	12,645
(Earnings) loss from consolidated subsidiaries	(12,405)	(99,547)	986	—	110,966	—
Changes in assets and liabilities	—	258,974	(275,568)	(8,375)	—	(24,969)
Net cash (used in) provided by operating activities	(7,165)	123,666	(8,412)	(10,000)	—	98,089
Cash flows from investing activities						
Proceeds from sale of assets or stations	—	—	15,718	—	—	15,718
Restricted cash	—	(4,200)	—	—	—	(4,200)
Acquisition less cash required	—	—	(5,500)	—	—	(5,500)
Capital expenditures	—	(134)	(13,267)	—	—	(13,401)
Net cash used in investing activities	—	(4,334)	(3,049)	—	—	(7,383)
Cash flows from financing activities:						
Intercompany transactions, net	(5,364)	(41,365)	11,729	35,000	—	—
Repayments of borrowings under term loans and revolving credit facilities	—	(71,125)	—	(35,000)	—	(106,125)
Proceeds from borrowings under term loans and revolving credit	—	—	—	10,000	—	10,000

facilities						
Tax withholding payments on behalf of employees	—	(1,320)	—	—	—	(1,320)
Proceeds from exercises of warrants	106	—	—	—	—	106
Proceeds from exercises of options	619	—	—	—	—	619
Deferred financing costs	—	(21)	—	—	—	(21)
Net cash (used in) provided by financing activities	(4,639)	(113,831)	11,729	10,000	—	(96,741)
(Decrease) increase in cash and cash equivalents	(11,804)	5,501	268	—	—	(6,035)
Cash and cash equivalents at beginning of period	11,804	20,988	—	—	—	32,792
Cash and cash equivalents at end of period	$—	$26,489	$268	$ —	$—	$26,757

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CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended September 30, 2013
(Dollars in thousands)
(Unaudited)

	Cumulus Media Inc. (Parent Guarantor)	Cumulus Media Holdings Inc. (Subsidiary Issuer)	Subsidiary Guarantors	Subsidiary Non-guarantors	Eliminations	Total Consolidated
Cash flows from operating activities:						
Net income (loss)	$25,148	$33,334	$197,959	$ (25,448)	$(205,845)	$25,148
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:						
Depreciation and amortization	—	1,451	85,358	—	—	86,809
Amortization of debt issuance costs/discount	—	7,515	—	—	—	7,515
Provision for doubtful accounts	—	—	2,002	—	—	2,002
Loss on sale of assets or stations	—	—	(3,556)	—	—	(3,556)
Loss on early extinguishment of debt	—	4,539	—	—	—	4,539
Fair value adjustment of derivative instruments	—	(27)	(2,630)	—	—	(2,657)
Deferred income taxes	—	—	(14,249)	23,908	—	9,659
Stock-based compensation expense	—	7,393	—	—	—	7,393
(Earnings) loss from consolidated subsidiaries	(33,334)	(197,959)	25,448	—	205,845	—
Changes in assets and liabilities	—	22,787	(33,512)	1,540	—	(9,185)
Net cash (used in) provided by operating activities	(8,186)	(120,967)	256,820	—	—	127,667
Cash flows from investing activities:						
Proceeds from sale of assets or stations	—	—	6,492	—	—	6,492
Restricted cash	—	2,192	—	—	—	2,192
Initial payment of Green Bay Option	—	—	(5,000)	—	—	(5,000)
Proceeds from exchange of asset or stations	—	—	(52,685)	—	—	(52,685)
Capital expenditures	—	(441)	(8,007)	—	—	(8,448)
Net cash provided by (used in) investing activities	—	1,751	(59,200)	—	—	(57,449)
Cash flows from financing activities:						
Intercompany transactions, net	(68,787)	272,658	(203,871)	—	—	—

Repayments of borrowings under term loans and revolving credit facilities	—	(88,931)	—	—	—	(88,931)
Tax withholding payments on behalf of employees	—	(337)	—	—	—	(337)
Redemption of Series A preferred stock	(73,150)	—	—	—	—	(73,150)
Proceeds from issuance of Series B preferred stock	77,241	—	—	—	—	77,241
Series A Preferred stock dividends	(9,395)	—	—	—	—	(9,395)
Proceeds from exercises of warrants	614	—	—	—	—	614
Proceeds from exercise options	64	—	—	—	—	64
Deferred financing costs	—	(204)	—	—	—	(204)
Net cash (used in) provided by financing activities	(73,413)	183,186	(203,871)	—	—	(94,098)
(Decrease) increase in cash and cash equivalents	(81,599)	63,970	(6,251)	—	—	(23,880)
Cash and cash equivalents at beginning of period	81,599	—	6,451	—	—	88,050
Cash and cash equivalents at end of period	$—	$63,970	$200	$ —	$—	$64,170

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

In the following Management's Discussion and Analysis, we provide information regarding the following areas:

- General Overview;
- Results of Operations; and
- Liquidity and Capital Resources.

General

The following discussion of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto included elsewhere in this quarterly report. This discussion, as well as various other sections of this quarterly report, contains and refers to statements that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. Such statements relate to our intent, belief or current expectations primarily with respect to our future operating, financial and strategic performance. Any such forward-looking statements are not guarantees of future performance and may involve risks and uncertainties. Actual results may differ from those contained in or implied by the forward-looking statements as a result of various factors, including, but not limited to, risks and uncertainties relating to the need for additional funds to execute our business strategy, our inability to renew one or more of our broadcast licenses, changes in interest rates, our ability to complete any acquisitions pending from time to time, the timing, costs and synergies resulting from the integration of any completed acquisitions, our ability to eliminate certain costs, our ability to manage rapid growth, the popularity of radio as a broadcasting and advertising medium, changing consumer tastes, any material changes from the preliminary to final purchase price allocations in completed acquisitions, the impact of general economic conditions in the United States or in specific markets in which we currently do, or expect to do, business, industry conditions, including existing competition and future competitive technologies, cancellation, disruptions or postponements of advertising schedules in response to national or world events, our ability to generate revenue from new sources, including technology-based initiatives, the impact of regulatory rules or proceedings that may affect our business, or any acquisitions, from time to time, and other risk factors described from time to time in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2013 and subsequently filed Quarterly Reports Forms 10-Q. Many of these risks and uncertainties are beyond our control, and the unexpected occurrence or failure to occur of any such events or matters could significantly alter our actual results of operations or financial condition.

For additional information about certain of the matters discussed and described in the following Management’s Discussion and Analysis of Financial Condition and Results of Operations, including certain defined terms used herein, see the notes to the accompanying unaudited condensed consolidated financial statements included elsewhere in this quarterly report.

Our Business

We combine high-quality local radio programming with iconic, nationally syndicated media, sports and entertainment brands in order to deliver premium choices for listeners, provide substantial reach for advertisers and create opportunities for shareholders. We believe we are well-positioned in the widening digital audio space through a significant stake in the Rdio digital music service, featuring over 30 million songs on-demand in addition to custom playlists and exclusive curated channels. We are also the leading provider of country music and lifestyle content through our NASH brand, which serves country fans through radio programming, NASH magazine, concerts, licensed products and television/video. Our recent acquisition of WestwoodOne gives us additional scale and an iconic radio industry brand to further syndicate our proprietary content and programming rights onto non-owned radio stations, satellite radio, and new online platforms. WestwoodOne also serves as our brand identity to reach national advertisers, complementing hundreds of well-known Cumulus Radio local sales brands.

We generate revenue through monetization of this programming content and other sources across four major product lines. These are broadcast advertising, digital advertising, political advertising, and non-advertising based license fees.

Broadcast advertising revenue. We generate most of our overall revenue through the sale of commercial advertising time to local, national and network clients across our 460 owned and operated radio stations and approximately 9,000 affiliated radio stations. Local spot advertising is sold by approximately 900 Cumulus employed sales executives

across 90 U.S. media markets (including eight of the top ten). National spot advertising for our owned and operated stations is outsourced to Katz Media, which markets itself to advertisers as WestwoodOne Media Sales. Network advertising airing across our owned and operated and affiliated stations is sold by Cumulus employed executives in major regional hubs across the United States under the WestwoodOne Networks brand.

Digital advertising revenue. We also generate revenue from the sale of advertising and promotional opportunities across our streaming audio network, digital commerce platform, websites and mobile applications. We operate the fourth largest streaming audio advertising network in the United States, including owned and operated internet radio simulcast stations, Rdio.com, and other third party internet companies with whom we have advertising reseller agreements. Our digital commerce platform utilizes couponing and discount daily deals to create promotional opportunities for local and national merchants under our Sweetjack, SweetDeals and Incentrev brands. We also sell banner and other display ads across more than 400 local radio station websites, mobile applications, and ancillary custom client microsites.

Political advertising revenue. We generate political advertising revenue across all of our broadcast and digital assets, but highlight it as a separate category to distinguish its highly cyclical nature versus core revenue. Political advertising is generally strongest during even-numbered years, especially in the fourth quarter of such years, when most national and state elections are conducted. In addition to candidate advertising revenue, we also receive orders from special interest and advocacy groups.

License Fees & Other. All other non-advertising based revenue types where the Company participates are aggregated in our License Fee & Other revenue category. This includes cash based fees we receive for content licensing, third party network compensation, proprietary software licensing, subleases and rents, and all other revenue.

Operating Overview

We believe that we have created a leading national audio advertising platform that allows us to leverage and expand upon our strengths, market presence and programming. Specifically we have an extensive radio station portfolio, including a presence in eight of the top 10 markets, and broad diversity in format, listener base, geography, advertiser base and revenue stream, designed to reduce our dependence on any single demographic, region or industry. As the largest pure-play radio broadcaster in the United States, the Company provides exclusive content that is fully distributed through approximately 460 owned and operated stations in 90 U.S. media markets, approximately 9,000 broadcast radio affiliates and numerous digital channels. Our nationwide platform generates premium content distributable through both broadcast and digital platforms, and our scale allows larger, significant investments in the local digital media marketplace enabling us to leverage our local digital platforms and strategies, including our social commerce initiatives, across additional markets. Our websites average over 13.7 million page views from approximately 13.2 million unique users on a monthly basis and stream music to approximately 4.2 million unique users each month. We believe our national platform perspective allows us to optimize our available advertising inventory while providing holistic and comprehensive solutions for our customers.

We further believe that our capital structure provides adequate liquidity and scale for us to operate and grow our current business, as well as pursue and finance potential strategic acquisitions in the future.

Liquidity Considerations

Historically, our principal needs for funds have been for acquisitions, expenses associated with our station, network advertising and corporate operations, capital expenditures, and interest and debt service payments. We believe that our funding needs in the future will be for substantially similar matters.

Our principal sources of funds have primarily been cash flow from operations and borrowings under credit facilities in existence from time to time. Our cash flow from operations is subject to factors such as changes in demand due to shifts in population, station listenership, demographics, audience tastes, and fluctuations in preferred advertising media. In addition, customers may not be able to pay, or may delay payment of, accounts receivable that are owed to us, which risks may be exacerbated in challenging economic periods. In recent periods, management has taken steps to mitigate this risk through heightened collection efforts and enhancements to our credit approval process, although no assurances as to the longer-term success of these efforts can be provided. In addition, we believe that our national platform and extensive station portfolio representing a broad diversity in format, listener base, geography, and advertiser base helps us maintain a more stable revenue stream by reducing our dependence on any single demographic, region or industry. We continually monitor our capital structure and from time to time have evaluated, and expect that we will continue to evaluate future opportunities to obtain, other public or private capital from the divestiture of radio stations or other assets that are not a part of, or do not complement, our strategic operations, as well as the issuance of equity and/or debt securities, in each case subject to market and other conditions in existence at

the appropriate time. No assurances can be provided that any source of funds would be available when needed on terms acceptable to the Company, or at all.

In furtherance of our strategy, we have recently undertaken a number of transactions to further strengthen our balance sheet and improve our cash flows. On December 23, 2013, we entered into the Amended and Restated Credit Agreement (the "Credit Agreement"). The Credit Agreement consists of a $2.025 billion term loan (the “Term Loan”) maturing in December 2020 and a $200.0 million revolving credit facility (the "Revolving Credit Facility") maturing in December 2018. Under the

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Revolving Credit Facility, up to $30.0 million of availability may be drawn in the form of letters of credit. Upon entry into the Credit Agreement, we used Term Loan borrowings of $2.025 billion to repay in full all amounts outstanding under the first lien term loan and second lien term loan under our pre-existing credit agreements.

In the event amounts are outstanding under the Revolving Credit Facility or any letters of credit are outstanding that have not been collateralized by cash as of the end of each quarter, the Credit Agreement requires compliance with a consolidated first lien net leverage ratio covenant. The required ratio at September 30, 2014 was 5.75 to 1. The ratio periodically decreases until it reaches 4.00 to 1 on March 31, 2018. As of September 30, 2014, we were in compliance with all of our covenants under the Credit Agreement.

On December 6, 2013, we entered into a 5-year, $50.0 million revolving accounts receivable securitization facility (the “Securitization Facility”) with General Electric Capital Corporation, as a lender, as swing line lender and as administrative agent (together with any other lenders party thereto from time to time, the “Lenders”). In connection with the entry into the Securitization Facility, pursuant to a Receivables Sale and Servicing Agreement, dated as of December 6, 2013 (the “Sale Agreement”), certain subsidiaries of the Company (collectively, the "Originators") may sell and/or contribute their existing and future accounts receivable to a special purpose entity and wholly owned subsidiary of the Company (the “SPV”). The SPV may thereafter make borrowings from the Lenders, which borrowings are secured by those receivables, pursuant to a Receivables Funding and Administration Agreement, dated as of December 6, 2013 (the “Funding Agreement”).

At September 30, 2014, our long-term debt consisted of $1.954 billion outstanding under the Term Loan and $610.0 million in 7.75% Senior Notes.

We have assessed the current and expected business climate, our current and expected needs for funds and our current and expected sources of funds and determined, based on our financial condition as of September 30, 2014, that cash on hand, cash expected to be generated from operating activities and cash expected to be available from various financing sources will be sufficient to satisfy our anticipated financing needs for working capital, capital expenditures, interest and debt service payments, and any repurchases of securities and other debt obligations for at least the next twelve months.

We have significant intangible assets recorded comprised primarily of broadcast licenses and goodwill acquired through acquisitions. We evaluate on an interim basis if events or circumstances indicate that broadcast licenses or goodwill may be impaired. The Company performs its annual impairment testing of broadcast licenses and goodwill during the fourth quarter. This evaluation will encompass a detailed preparation of future projected operating results which will incorporate the consideration of a challenging advertising market being experienced by radio operators in our industry as well as increased macroeconomic volatility in the market that began at the end of the third quarter. Although we did not record any impairment charges during the nine months ended September 30, 2014 we cannot make any assurances that there will not be any impairment charges in any future periods.

Advertising Revenue and Adjusted EBITDA

Our primary source of revenue is the sale of advertising time. Our sales of advertising time are primarily affected by the demand from local, regional and national advertisers which impacts the advertising rates charged by us. Advertising demand and rates are based primarily on the ability to attract audiences in the demographic groups targeted by its advertisers, as measured principally by various ratings agencies on a periodic basis. We endeavor to develop strong listener loyalty and we believe that the diversification of our formats and programs helps to insulate us from the effects of changes in the musical tastes of the public with respect to any particular format as a substantial portion of our revenue comes from non-music format and proprietary content. In addition, we believe that the platform that we own and operate, which has increased diversity in terms of format, listener base, geography, advertiser base and revenue stream as a result of our acquisitions and the development of our strategy to focus on radio stations in larger markets and geographically strategic regional clusters, will further reduce our revenue dependence on any single demographic, region or industry.

We strive to maximize revenue by managing our on-air inventory of advertising time and adjusting prices up or down based on supply and demand. The optimal number of advertisements available for sale depends on the programming format of a particular radio program. Each sales vehicle has a general target level of on-air inventory available for advertising. This target level of advertising inventory may vary at different times of the day but tends to remain stable

over time. We seek to broaden our base of advertisers in each of our markets by providing a wide array of audience demographic segments across each cluster of stations, thereby providing each of our potential advertisers with an effective means of reaching a targeted demographic group. In the broadcasting industry, we sometimes utilize trade or barter agreements that exchange advertising time for goods or services such as travel or lodging, instead of for cash. Trade revenue totaled $23.7 million and $18.7 million for the nine months ended September 30, 2014 and 2013, respectively. Our advertising contracts are generally short-term. We generate most

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of our revenue from local and regional advertising, which is sold primarily by a station's sales staff. Local and regional advertising typically represents a majority of our net revenues.

In addition to local advertising revenues, we monetize our available inventory in both national spot and network sales marketplaces using our national platform. To effectively deliver our network advertising for our customers, we distribute content and programming through third party affiliates in order to achieve a broader national audience. Typically, in exchange for the right to broadcast radio network programming, third party affiliates remit a portion of their advertising time, which is then aggregated into packages focused on specific demographic groups and sold by us to our advertiser clients that want to reach the listeners who comprise those demographic groups on a national basis.

Our advertising revenues vary by quarter throughout the year. As is typical with advertising revenue supported businesses, our first calendar quarter typically produces the lowest revenues of a last twelve month period, as advertising generally declines following the winter holidays. The second and fourth calendar quarters typically produce the highest revenues for the year. We continually evaluate opportunities to increase revenues through new platforms, including technology-based initiatives. As a result of those revenue increasing opportunities through new platforms, accelerated by our acquisition of WestwoodOne, our operating results in any period may be affected by the incurrence of advertising and promotion expenses that typically do not have an effect on revenue generation until future periods, if at all. In addition, as part of this evaluation and our acquisition of WestwoodOne, we also have reorganized and discontinued certain redundant and/or unprofitable content vehicles across our platform which will impact our broadcast revenues in the future.

Adjusted EBITDA is the financial metric utilized by management to analyze the cash flow generated by our business. This measure isolates the amount of income generated by our core operations after the incurrence of corporate, general and administrative expenses. Management also uses this measure to determine the contribution of our core operations, including the corporate resources employed to manage the operations, to the funding of our other operating expenses and to the funding of debt service and acquisitions. In addition, Adjusted EBITDA is a key metric for purposes of calculating and determining our compliance with certain covenants contained in our credit facility.

In deriving this measure, management excludes depreciation, amortization, and stock-based compensation expense, as these do not represent cash payments for activities directly related to our core operations. Management excludes any gain or loss on the exchange or sale of any assets as it does not represent a cash transaction. Management also excludes any gain or loss on derivative instruments as it does not represent a cash transaction nor are they associated with core operations. Expenses relating to acquisitions and restructuring costs are also excluded from the calculation of Adjusted EBITDA as they are not directly related to our core operations. Management excludes any impairment of goodwill and intangible assets as they do not require a cash outlay.

Management believes that Adjusted EBITDA, although not a measure that is calculated in accordance with GAAP, nevertheless is commonly employed by the investment community as a measure for determining the market value of a media company. Management has also observed that Adjusted EBITDA is routinely employed to evaluate and negotiate the potential purchase price for media companies and is a key metric for purposes of calculating and determining compliance with certain covenants in our credit facility. Given the relevance to our overall value, management believes that investors consider the metric to be extremely useful.

Adjusted EBITDA should not be considered in isolation or as a substitute for net income, operating income, cash flows from operating activities or any other measure for determining the Company's operating performance or liquidity that is calculated in accordance with GAAP.

A quantitative reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, follows in this section.

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Results of Operations

The following selected data from our unaudited condensed consolidated statements of operations and other supplementary data should be referred to while reading the results of operations discussion that follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		% Change Three Months Ended	% Change Nine Months Ended
	2014	2013	2014	2013		
STATEMENT OF OPERATIONS DATA:						
Net revenue	$313,885	$262,535	$934,176	$750,680	19.6 %	24.4 %
Content costs	106,574	65,559	316,868	189,765	62.6 %	67.0 %
Other direct operating expenses	119,864	99,202	353,588	292,576	20.8 %	20.9 %
Depreciation and amortization	29,143	27,614	87,095	82,814	5.5 %	5.2 %
LMA fees	2,021	609	5,226	2,293	231.9 %	127.9 %
Corporate expenses (including stock-based compensation expense)	14,756	11,757	53,215	33,517	25.5 %	58.8 %
Gain on sale of assets or stations	(373)	(5,198)	(1,271)	(3,662)	(92.8)%	(65.3)%
Loss (gain) on derivative instrument	—	172	—	(2,672)	**	**
Operating income	41,900	62,820	119,455	156,049	(33.3)%	(23.5)%
Interest expense	(36,647)	(45,502)	(109,380)	(134,221)	(19.5)%	(18.5)%
Interest income	352	308	1,024	942	14.3 %	8.7 %
Loss on early extinguishment of debt	—	—	—	(4,539)	**	**
Other income (expense), net	443	(139)	3,972	(247)	**	**
Income from continuing operations before income taxes	6,048	17,487	15,071	17,984	(65.4)%	(16.2)%
Income tax expense	(3,508)	(6,995)	(6,663)	(19,043)	(49.8)%	(65.0)%
Income (loss) from continuing operations	2,540	10,492	8,408	(1,059)	(75.8)%	894.0 %
(Loss) income from discontinued operations, net of taxes	—	(3,455)	—	26,207	**	**
Net income	$2,540	$7,037	$8,408	$25,148	(63.9)%	(66.6)%
KEY FINANCIAL METRIC:						
Adjusted EBITDA	$79,837	$89,909	$239,106	$246,393	(11.2)%	(3.0)%

** Calculation is not meaningful.

Three Months Ended September 30, 2014 Compared to the Three Months Ended September 30, 2013

Net Revenue

Net revenue consists of gross revenue less agency commissions, third party producer revenue shares and other direct costs. Agency commissions are variable as they are based upon a stated percentage of the Company’s gross billings.

Net revenue for the three months ended September 30, 2014 increased $51.4 million, or 19.6%, to $313.9 million, compared to $262.5 million for the three months ended September 30, 2013. The increase resulted from increases of $39.1 million, $7.3 million, $3.1 million and $1.9 million in broadcast advertising, digital advertising, political advertising and license fees and other revenue, respectively. These increases were primarily attributable to the addition of the operations of WestwoodOne. The increases were partially offset by decreases in local spot and national spot revenue. The increase in political advertising revenue was due to additional activity associated with mid-term and gubernatorial elections in the current period.

Content Costs

Content costs consist of all costs related to the licensing, acquisition and development of our programming.

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The following table presents our content costs as a percentage of total net revenue:

	Three Months Ended September 30,	
	2014	2013
Content costs	34.0 %	25.0 %

Content costs for the three months ended September 30, 2014 increased $41.0 million, or 62.6%, to $106.6 million, compared to $65.6 million for the three months ended September 30, 2013. This increase was primarily attributable to the addition of the operations of WestwoodOne.

Other Direct Operating Expenses

Other direct operating expenses consist of expenses related to the distribution and monetization of our content across our platform and overhead expenses.

Other direct operating expenses for the three months ended September 30, 2014 increased $20.7 million, or 20.8%, to $119.9 million, compared to $99.2 million for the three months ended September 30, 2013. This increase was primarily attributable to the addition of the operations of WestwoodOne and the LMAs in the Chicago, Dallas and San Jose markets.

Depreciation and Amortization

Depreciation and amortization for the three months ended September 30, 2014 increased $1.5 million, or 5.5%, to $29.1 million, compared to $27.6 million for the three months ended September 30, 2013. This increase was due to a $2.0 million increase in depreciation expense which was primarily attributable to expense related to the assets of WestwoodOne, offset by a $0.5 million decrease in amortization expense on our definite lived intangible assets, which resulted from the accelerated amortization methodology we have applied since acquisition of these assets that is based on the expected pattern in which the underlying assets' economic benefits are consumed.

Corporate Expenses, Including Stock-based Compensation Expense

Corporate expenses consist primarily of compensation and related costs for our executive, finance, human resources, information technology and legal personnel, and fees for professional services. Professional services are principally comprised of outside legal, audit and consulting services.

Corporate expenses, including stock-based compensation expense, for the three months ended September 30, 2014 increased $3.0 million, or 25.5%, to $14.8 million, compared to $11.8 million for the three months ended September 30, 2013. This increase was primarily due to a $2.1 million increase in stock-based compensation expense partially driven by stock options granted to employees of WestwoodOne and a $0.9 million increase in other overhead costs.

Interest Expense

Total interest expense for the three months ended September 30, 2014 decreased $8.9 million, or 19.5%, to $36.6 million compared to $45.5 million for the three months ended September 30, 2013. Interest expense associated with outstanding debt decreased by $8.2 million to $33.5 million as compared to $41.7 million in the prior year period. This decrease was due to lower average indebtedness outstanding resulting from principal repayments and a lower weighted average cost of debt due to the entry into the Credit Agreement in December 2013.

The following summary details the components of our interest expense (dollars in thousands):

	Three Months Ended September 30,		2014 vs 2013	
	2014	2013	$ Change	% Change
7.75% Senior Notes	$11,819	$11,819	$—	— %
Bank borrowings – term loans and revolving credit facilities	21,651	29,853	(8,202)	(27.5)%
Other including debt cost amortization	3,177	3,788	(611)	(16.1)%
Change in fair value of interest rate cap	—	42	(42)	(100.0)%
Interest expense	$36,647	$45,502	$(8,855)	(19.5)%

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Income Taxes

For the three months ended September 30, 2014, the Company recorded income tax expense of $3.5 million on pre-tax income from continuing operations of $6.0 million, resulting in an effective tax rate for the three months ended September 30, 2014 of approximately 58.3%. For the three months ended September 30, 2013, the Company recorded income tax expense of $7.0 million on pre-tax income from continuing operations of $17.5 million, resulting in an effective tax rate for the three months ended September 30, 2013 of approximately 40.0%.

The difference between the effective tax rate and the federal statutory rate of 35.0% for the three months ended September 30, 2014 primarily relates to state and local income taxes and changes in the valuation allowance on certain separate company filing jurisdiction net operating losses. For the three months ended September 30, 2013, the primary differences between the effective tax rate and federal statutory rate of 35.0% relate to state and local income taxes and tax amortization of broadcast licenses and goodwill as well as an allocation of the total tax provision to discontinued operations.

The Company continually reviews the adequacy of the valuation allowance and recognizes the benefits of deferred tax assets only as the reassessment indicates that it is more likely than not that the deferred tax assets will be recognized in accordance with ASC Topic 740. As of September 30, 2014, the Company continues to maintain a partial valuation allowance on certain state net operating loss carryforwards for which the Company does not believe they will be able to meet the more likely than not recognition standard for recovery. As of September 30, 2013, the Company maintained a full valuation allowance on its net deferred tax assets excluding deferred tax liabilities associated with the Company's indefinite lived intangible assets and deferred cancellation of debt income for which no estimated amount of deferred tax assets were available to satisfy. The valuation of deferred tax assets requires judgment in assessing the likely future tax consequences of events that have been recognized in the Company's financial statements or tax returns as well as future profitability.

We believe our annual effective tax rate before discrete items for fiscal year 2014 will be approximately 47.3%. The difference between the annual estimated effective tax rate and the federal statutory rate of 35% primarily relates to the valuation allowance on certain separate company net operating losses incurred in 2014.

Adjusted EBITDA

As a result of the factors described above, on an as reported basis, Adjusted EBITDA for the three months ended September 30, 2014 decreased $10.1 million to $79.8 million from $89.9 million for the three months ended September 30, 2013.

Reconciliation of Non-GAAP Financial Measure

The following table reconciles Adjusted EBITDA to net income (the most directly comparable financial measure calculated and presented in accordance with GAAP) as presented in the accompanying consolidated statements of operations (dollars in thousands):

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	Three Months Ended September 30,		Nine Months Ended September 30,		% Change Three Months Ended	% Change Nine Months Ended
	2014	2013	2014	2013		
Net income	$2,540	$7,037	$8,408	$25,148	(63.9)%	(66.6)%
Income tax expense	3,508	6,995	6,663	19,043	(49.8)%	(65.0)%
Non-operating expenses, including interest expense	35,852	45,333	104,384	138,065	(20.9)%	(24.4)%
LMA fees	2,021	609	5,226	2,293	231.9%	127.9%
Depreciation and amortization	29,143	27,614	87,095	82,814	5.5%	5.2%
Stock-based compensation expense	4,399	2,259	12,645	7,393	94.7%	71.0%
Gain on sale of assets or stations	(373)	(5,198)	(1,271)	(3,662)	(92.8)%	(65.3)%
Loss (gain) on derivative instrument	—	172	—	(2,672)	**	**
Acquisition-related and restructuring costs	2,773	1,457	15,434	3,652	90.3%	322.6%
Franchise and state taxes	(26)	176	522	526	(114.8)%	(0.8)%
Discontinued operations:						
Loss (income) from discontinued operations, net of tax	—	3,455	—	(26,207)	**	**
Adjusted EBITDA	$79,837	$89,909	$239,106	$246,393	(11.2)%	(3.0)%

** Calculation is not meaningful.

Nine Months Ended September 30, 2014 Compared to the Nine Months Ended September 30, 2013

Net Revenue

Net revenue for the nine months ended September 30, 2014 increased $183.5 million, or 24.4%, to $934.2 million, compared to $750.7 million for the nine months ended September 30, 2013. The increase resulted from increases of $147.1 million, $19.5 million, $7.1 million and $9.8 million in broadcast advertising, digital advertising, political advertising and license fees and other revenue, respectively. These increases were primarily attributable to the addition of the operations of WestwoodOne. The increases were partially offset by decreases in local spot and national spot revenue. The increase in political advertising revenue was due to additional activity associated with mid-term and gubernatorial elections in the current period.

Content Costs

The following table presents our content costs as a percentage of total net revenues for the periods presented:

	Nine Months Ended September 30,	
	2014	2013
Content costs	33.9%	25.3%

Content costs for the nine months ended September 30, 2014 increased $127.1 million, or 67.0%, to $316.9 million, compared to $189.8 million for the nine months ended September 30, 2013. This increase was primarily attributable to the addition of the operations of WestwoodOne. Content costs in the prior period also included credits related to music publishing royalty reductions, which increased the period over period difference.

Other Direct Operating Expenses

Other direct operating expenses for the nine months ended September 30, 2014 increased $61.0 million, or 20.9%, to $353.6 million, compared to $292.6 million for the nine months ended September 30, 2013. This increase was primarily attributable to the addition of expenses related to the operations of WestwoodOne in addition to expenses related to the new LMAs in the Chicago, Dallas and San Jose markets.

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Depreciation and Amortization

Depreciation and amortization for the nine months ended September 30, 2014 increased $4.3 million, or 5.2%, to $87.1 million, compared to $82.8 million for the nine months ended September 30, 2013. This increase was due to a $5.7 million increase in depreciation expense which was primarily attributable to increased expense related to the assets of WestwoodOne, in addition to a $1.4 million decrease in amortization expense on our definite lived intangible assets, which resulted from the accelerated amortization methodology we have applied since acquisition of these assets that is based on the expected pattern in which the underlying assets' economic benefits are consumed.

Corporate Expenses, Including Stock-based Compensation Expense

Corporate expenses, including stock-based compensation expense, for the nine months ended September 30, 2014 increased $19.7 million, or 58.8%, to $53.2 million, compared to $33.5 million for the nine months ended September 30, 2013. This increase was primarily due to an increase of $11.8 million in acquisition related restructuring expenses and legal costs related to the WestwoodOne acquisition, a $5.2 million increase in stock-based compensation expense partially driven by stock options granted to employees of WestwoodOne and a $2.7 million increase in other overhead costs.

Interest Expense

Total interest expense for the nine months ended September 30, 2014 decreased $24.8 million, or 18.5%, to $109.4 million compared to $134.2 million for the nine months ended September 30, 2013. Interest expense associated with outstanding debt decreased by $24.1 million to $100.4 million as compared to $124.5 million in the prior year period. The following summary details the components of our interest expense (dollars in thousands):

	Nine Months Ended September 30,		2014 vs 2013	
	2014	2013	$ Change	% Change
7.75% Senior Notes	$35,457	$35,457	$—	— %
Bank borrowings – term loans and revolving credit facilities	64,925	89,067	(24,142)	(27.1)%
Other including debt cost amortization	8,991	9,682	(691)	(7.1)%
Change in fair value of interest rate cap	7	15	(8)	(53.3)%
Interest expense	$109,380	$134,221	$(24,841)	(18.5)%

Income Taxes

For the nine months ended September 30, 2014, the Company recorded income tax expense of $6.7 million on pre-tax income from continuing operations of $15.1 million, resulting in an effective tax rate for the nine months ended September 30, 2014 of approximately 44.4%. For the nine months ended September 30, 2013, the Company recorded an income tax expense of $19.0 million on pre-tax income from continuing operations of $18.0 million, resulting in an effective tax rate for the nine months ended September 30, 2013 of approximately 105.6%.

The difference between the effective tax rate and the federal statutory rate of 35.0% for the nine months ended September 30, 2014 primarily relates to state and local income taxes and changes in the valuation allowance on certain separate company filing jurisdiction net operating losses. For the nine months ended September 30, 2013, the primary differences between the effective tax rate and federal statutory rate of 35.0% relate to state and local income taxes, tax amortization of broadcast licenses and an allocation of a tax benefit to discontinued operations.

The Company continually reviews the adequacy of the valuation allowance and recognizes the benefits of deferred tax assets only as the reassessment indicates that it is more likely than not that the deferred tax assets will be recognized in accordance with ASC Topic 740. As of September 30, 2014, the Company continues to maintain a partial valuation allowance on certain state net operating loss carryforwards for which the Company does not believe they will be able to meet the more likely than not recognition standard for recovery. As of September 30, 2013, the Company maintained a full valuation allowance on its net deferred tax assets excluding deferred tax liabilities associated with the Company's indefinite lived intangible assets and deferred cancellation of debt income for which no estimated amount of deferred tax assets were available to satisfy. The valuation of deferred tax assets requires judgment in assessing the likely future tax consequences of events that have been recognized in the Company's financial statements or tax returns as well as future profitability.

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We believe our annual effective tax rate before discrete items for fiscal year 2014 will be approximately 47.3%. The difference between the annual estimated effective tax rate and the federal statutory rate of 35% primarily relates to the valuation allowance on certain separate company net operating losses incurred in 2014.

Adjusted EBITDA

As a result of the factors described above, Adjusted EBITDA for the nine months ended September 30, 2014 decreased $7.3 million to $239.1 million from $246.4 million for the nine months ended September 30, 2013.

Liquidity and Capital Resources

Cash Flows Provided by Operating Activities

	Nine Months Ended September 30,	
(Dollars in thousands)	2014	2013
Net cash provided by operating activities	$ 98,089	$ 127,667

For the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, net cash provided by operating activities decreased $29.6 million. The decrease was primarily due to a decrease in working capital driven by the timing of payments on our accounts receivable.

Cash Flows Used in Investing Activities

	Nine Months Ended September 30,	
(Dollars in thousands)	2014	2013
Net cash used in investing activities	$ (7,383)	$ (57,449)

For the nine months ended September 30, 2014, net cash used in investing activities was $7.4 million as compared to $57.4 million for the nine months ended September 30, 2013. This decrease was primarily due to the use of $52.2 million to complete acquisitions during the nine months ended September 30, 2013. Capital expenditures for the nine months ended September 30, 2014 totaled $13.4 million, the majority of which related to one time investments at WestwoodOne. Capital expenditures during the nine months ended September 30, 2013 were $8.4 million.

Cash Flows Used in Financing Activities

	Nine Months Ended September 30,	
(Dollars in thousands)	2014	2013
Net cash used in financing activities	$ (96,741)	$ (94,098)

For the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, net cash used in financing activities increased $2.6 million. The increase in cash used in financing activities was primarily attributable to a $7.2 million increase in net repayments on borrowings, partially offset by a $5.9 million decrease in cash related to activity associated with our preferred stock which was retired in the fourth quarter of 2013.

For additional detail regarding the Company’s material liquidity considerations, see “Liquidity Considerations” above.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to our market risks from those disclosed in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2013 (the “2013 Annual Report”).

Item 4. Controls and Procedures

We maintain a set of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) of the Securities Exchange Act of 1934, the “Exchange Act”) designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Such disclosure controls and procedures are designed to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chairman, President and Chief Executive Officer (“CEO”) and Senior Vice President and Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management’s control objectives. Our management, including the CEO and CFO, does not expect that our disclosure controls and procedures can prevent all possible errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There are inherent limitations in all control systems, including the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of one or more persons. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and, while our disclosure controls and procedures are designed to be effective under circumstances where they should reasonably be expected to operate effectively, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in any control system, misstatements due to possible errors or fraud may occur and not be detected.

At the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the CEO and CFO have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2014.

There were no changes to our internal control over financial reporting during the fiscal quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are currently party to, or a defendant in, various claims or lawsuits that are generally incidental to our business. We also expect that from time to time in the future we will be party to, or a defendant in, various claims or lawsuits that are generally incidental to our business. We expect that we will vigorously contest any such claims or lawsuits and believe that the ultimate resolution of any known claim or lawsuit will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors

Please refer to Part I, Item 1A, “Risk Factors,” in our 2013 Annual Report for information regarding known material risks that could affect our results of operations, financial condition and liquidity. In addition to these risks, other risks that we presently do not consider material, or other unknown risks, could materially adversely impact our business, financial condition and results of operations in a future period.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On May 21, 2008, our Board of Directors authorized the purchase, from time to time, of up to $75.0 million of our Class A Common Stock, subject to the terms and limitations obtained in any applicable agreements and compliance with other applicable legal requirements. During the three months ended September 30, 2014, we did not purchase any shares of our Class A Common Stock.

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Item 6. Exhibits

10.1 —	First Amendment to Employment Agreement with John Dickey dated as of September 4, 2014.
31.1 —	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 —	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 —	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101 —	The following materials from Cumulus Media Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2014 and 2013, (ii) Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013, (iii) Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2014 and 2013, and (iv) Notes to Condensed Consolidated Financial Statements.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CUMULUS MEDIA INC.

Date: November 10, 2014	By:	/s/ Joseph P. Hannan Joseph P. Hannan Senior Vice President, Treasurer and Chief Financial Officer

EXHIBIT INDEX

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