SIEMENS AKTIENGESELLSCHAFT
Form 20-F
November 28, 2007

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As filed with the Securities and Exchange Commission on November 28, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2007.

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

OR

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report _____

Commission file number: 1-15174

Siemens Aktiengesellschaft
(Exact name of Registrant as specified in its charter)
Federal Republic of Germany
(Jurisdiction of incorporation or organization)
Wittelsbacherplatz 2
D-80333 Munich
Federal Republic of Germany
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one Common Share, no par value	New York Stock Exchange
Common Shares, no par value*	New York Stock Exchange

* Listed, not for trading or quotation purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The number of outstanding shares of each of the issuer s classes of capital or common stock as of September 30, 2007: 914,203,038 common shares, no par value.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes þ No o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
Yes o No þ

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No o Not applicable o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.
Large accelerated filer þ Accelerated filer o Non-accelerated o
Indicate by check mark which financial statement item the registrant has elected to follow.
Item 17 þ Item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

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FORWARD LOOKING STATEMENTS

This Form 20-F contains forward-looking statements and information that is, statements related to future, not past, events. These statements may be identified by words such as expects, looks forward to, anticipates, intends, plans believes, seeks, estimates, will, project or words of similar meaning. Such statements are based on our current expectations and certain assumptions, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Siemens to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For us, particular uncertainties arise, among others, from: the factors listed above under Item 3: Key Information Risk Factors; changes in general economic and business conditions (including margin developments in major business areas); the challenges of integrating major acquisitions and implementing joint ventures and other significant portfolio measures;

changes in currency exchange rates and interest rates; introduction of competing products or technologies by other companies; lack of acceptance of new products or services by customers targeted by Siemens; changes in business strategy; the outcome of pending investigations and legal proceedings, especially the corruption investigations we are currently subject to in Germany, the United States and elsewhere; the potential impact of such investigations and proceedings on our ongoing business including our relationships with governments and other customers; the potential impact of such matters on our financial statements; as well as various other factors. More detailed information about certain of these factors is contained throughout this report and in our other filings with the SEC, which are available on the Siemens website, www.siemens.com, and on the SEC s website, www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Siemens does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

In this Form 20-F, references to we, us, our, Company, Siemens or Siemens AG are to Siemens Aktiengesells and, unless the context otherwise requires, to its consolidated subsidiaries. In Item 4: Information on the Company Description of Business, we use the terms we and us to refer to a specific Siemens Group. Throughout this annual report, whenever a reference is made to our Company s website, such reference does not incorporate information from the website by reference into this annual report.

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PART I

ITEM 1: IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2: OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3: KEY INFORMATION

Selected Consolidated Financial and Statistical Data

Effective with the first quarter of fiscal 2007, we prepare our primary financial reporting according to International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU). The Consolidated Financial Statements of Siemens also comply with IFRS as published by the IASB. Therefore, there are no differences and a reconciliation between IFRS as adopted by the EU and IFRS as published by the IASB is not needed. Until fiscal year end 2006, our primary financial reporting was prepared in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP). In addition, we published our first IFRS Consolidated Financial Statements as supplemental information in December 2006.

The IFRS selected financial data set forth below as of and for each of the years in the three-year period ended September 30, 2007 should be read in conjunction with, and are qualified in their entirety by reference to, the Consolidated Financial Statements and the Notes thereto presented elsewhere in this document.

We have also presented the selected financial data below as of and for each of the years in the five-year period ended September 30, 2007 in accordance with U.S. GAAP. For fiscal years 2005 to 2007, the selected financial data has been derived from a reconciliation of our IFRS Consolidated Financial Statements to U.S. GAAP. For fiscal 2003 and 2004, we present our Consolidated Financial Statements prepared in accordance with U.S. GAAP. For information with respect to the major differences between IFRS and U.S. GAAP see Notes to Consolidated Financial Statements.

Income Statement Data

	Year ended September 30,				
	2007[1]	**2006[1][3]**	**2005[1][3]**	**2004**	**2003**
	(in millions, except per share data)				
Amounts in accordance with IFRS:					
Revenue	72,448	66,487	55,781	N/A	N/A
Income from continuing operations before income taxes	5,101	3,418	3,594	N/A	N/A
Income from continuing operations	3,909	2,642	2,813	N/A	N/A
Income (loss) from discontinued operations, net of income taxes	129	703	(237)	N/A	N/A
Net income	4,038	3,345	2,576	N/A	N/A
Basic earnings per share					
Income from continuing operations	4.13	2.78	2.96	N/A	N/A
Income (loss) from discontinued operations	0.11	0.74	(0.25)	N/A	N/A
Net income	4.24	3.52	2.71	N/A	N/A
Diluted earnings per share					
Income from continuing operations	3.99	2.77	2.85	N/A	N/A
Income (loss) from discontinued operations	0.11	0.74	(0.23)	N/A	N/A
Net income	4.10	3.51	2.62	N/A	N/A

	Year ended September 30,				
	2007[2]	**2006[2][3]**	**2005[2][3]**	**2004**	**2003**
	(in millions, except per share data)				
Amounts in accordance with U.S. GAAP:					
Net sales	78,890	77,559	66,089	61,480	61,624
Income from continuing operations before income taxes	3,250	3,728	3,549	3,807	2,902
Income from continuing operations	2,064	2,650	2,543	3,006	2,058
Income (loss) from discontinued operations, net of income taxes	353	393	(379)	399	387
Net income	2,417	3,043	2,164	3,405	2,445
Basic earnings per share					
Income from continuing operations	2.30	2.97	2.85	3.37	2.31
Income (loss) from discontinued operations	0.39	0.45	(0.42)	0.45	0.44
Net income	2.69	3.42	2.43	3.82	2.75
Diluted earnings per share					
Income from continuing operations	2.29	2.85	2.74	3.23	2.28
Income (loss) from discontinued operations	0.39	0.42	(0.41)	0.43	0.43
Net income	2.68	3.27	2.33	3.66	2.71

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Balance Sheet Data

	At September 30,				
	2007	2006	2005	2004	2003
	(in millions)				
Amounts in accordance with IFRS:					
Total assets	91,555	87,528(3)	81,579(3)	N/A	N/A
Long-term debt	9,860	13,122	8,040	N/A	N/A
Total equity	29,627	25,895(3)	23,791(3)	N/A	N/A
Common stock	2,743	2,673	2,673	N/A	N/A
Amounts in accordance with U.S. GAAP:					
Total assets	93,470	90,770(3)	85,884(3)	79,239(3)	77,378(3)
Long-term debt	9,853	13,399	8,436	9,785	11,433
Shareholders equity	30,379	28,926(3)	26,632(3)	26,454(3)	23,404(3)
Common stock	2,743	2,673	2,673	2,673	2,673

(1) Under IFRS, the historical results of the former operating segment Communications (Com) are reported as discontinued operations in the Company s Consolidated Statements of Income for all periods presented and the assets and liabilities were classified on the balance sheet as held for disposal. These Com activities include (i) the previous Mobile Devices (MD) business, which has meanwhile been sold, (ii) the carrier-related operations, which were contributed to Nokia Siemens Networks in April 2007, and (iii) the enterprise networks business, for which the Company is actively pursuing its plan to dispose of. Not included in discontinued operations are certain Com business activities which are now part of Other Operations and Automation & Drives (A&D). The financial information for fiscal 2007, 2006 and 2005 presents comparable amounts.

On July 25, 2007, Siemens signed an agreement with Continental AG, Hanover, Germany, to sell its entire Siemens VDO Automotive (SV) activities. The historical results of SV are reported as discontinued operations in the Consolidated Statements of Income for all periods presented. The assets and liabilities of SV are presented as held for disposal on the balance sheet as of September 30, 2007.

(2) Under U.S. GAAP, the historical results of the previous MD business and the SV activities mentioned above are reported as discontinued operations in the Company s Consolidated Statements of Income for all periods presented and the assets and liabilities were classified on the balance sheet as held for disposal on September 30, 2005 for MD and September 30, 2007 for SV.

(3) In connection with the investigation launched by Munich prosecutors in 2006, Siemens identified a large volume of payments made in connection with a number of Business Consultant Agreements and similar sales-related arrangements with third-party intermediaries as well as other payments within the former Com Group, the Company s other Groups and regional companies, for which the Company has not been able either to establish a valid business purpose or to clearly identify the recipient. The payments identified were recorded as deductible business expenses in prior periods in determining income tax provisions. During fiscal 2007, the Company determined that certain of these payments were non-deductible under tax regulations of Germany and other jurisdictions. Further, the Company identified certain commission liability accounts at the Medical Solutions (Med) Group which were created in fiscal years prior to 2005 and subsequently released in a manner that did not comply with applicable accounting principles. These matters were accounted for in fiscal 2007, by adjusting the

comparative amounts for fiscal years 2005 and 2006. The adjustments had the effect of reducing *Income from continuing operations before income taxes* by 24 million and 25 million in fiscal 2006 and 2005, respectively, and of reducing *Income from continuing operations, net of income taxes* by 58 million and 71 million in fiscal 2006 and 2005 respectively. The effect on *Net income* was an increase of 10 million in fiscal 2006 and a decrease of 84 million in fiscal 2005. The total adjustments relating to years prior to fiscal 2005 had the effect of decreasing *Shareholders equity* as of October 1, 2004 by 306 million (thereof 90 million refers to fiscal 2004 and 59 million refers to fiscal 2003). For further information see Notes 2 and 29 of the Notes to Consolidated Financial Statements. *Total assets* and *Shareholders equity* at September 30, 2004 and 2003 have been adjusted; however, income statement data for the years ended September 30, 2004 and 2003 have not been adjusted as the impact on net income and earnings per share in each of these years was also not material.

The number of shares outstanding at September 30, 2007, 2006, 2005, 2004 and 2003 was 914,203,038, 891,086,826, 891,076,457, 891,075,461 and 890,865,117, respectively.

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Dividends

The following table sets forth in euros and in dollars the dividend paid per share for the years ended September 30, 2003, 2004, 2005, 2006 and the proposed dividend per share for the year ended September 30, 2007. Owners of our shares who are United States residents should be aware that they will be subject to German withholding tax on dividends received. See Item 10: Additional Information Taxation.

	Dividend paid per share	
Year ended September 30,	**Euro**	**Dollar**
2003	1.10	1.40
2004	1.25	1.63
2005	1.35	1.65
2006	1.45	1.88
2007	1.60*	

* Proposed by the Managing Board and the Supervisory Board; to be approved by the shareholders at the shareholders annual meeting on January 24, 2008.

Exchange Rate Information

We publish our Consolidated Financial Statements in euros. As used in this document, euro or means the single unified currency that was introduced in the Federal Republic of Germany on January 1, 1999. U.S. dollar, U.S.$, USD or $ means the lawful currency of the United States of America. The currency translations made in the case of dividends we have paid have been made at the noon buying rate at the date of the Annual Shareholders Meeting at which the dividends were approved. As used in this document, the term noon buying rate refers to the rate of exchange for euro, expressed in U.S. dollar per euro, as announced by the Federal Reserve Bank of New York for customs purposes as the rate in The City of New York for cable transfers in foreign currencies.

In order that you may ascertain how the trends in our financial results might have appeared had they been expressed in U.S. dollars, the table below shows the average noon buying rates in The City of New York for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York for U.S. dollar per euro for our fiscal years. The average is computed using the noon buying rate on the last business day of each month during the period indicated.

Fiscal year ended September 30,	**Average**
2003	1.0919
2004	1.2199
2005	1.2727
2006	1.2361
2007	1.3420

The following table shows the noon buying rates for euro in U.S. dollars for the last six months.

2007	**High**	**Low**
May	1.3616	1.3419
June	1.3526	1.3295
July	1.3831	1.3592
August	1.3808	1.3402
September	1.4219	1.3606
October	1.4468	1.4092
November	1.4829	1.4435

On November 23, 2007, the noon buying rate was U.S.$1.4825 per 1.00.

Our shares are traded on the Frankfurt Stock Exchange in euro. Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar equivalent of the euro price of the shares on the Frankfurt Stock Exchange and, as a result, are likely to affect the market price of the American Depositary Shares (ADS) on the New York Stock Exchange. We will declare any cash dividends in euro and exchange rate fluctuations will affect the U.S. dollar amounts received by holders of ADSs on conversion of cash dividends on the shares represented by the ADSs.

Risk Factors

Our business, financial condition or results of operations could suffer material adverse effects due to any of the following risks. We have described below all the risks that we consider material, but those risks are not the only ones we face. Additional risks not known to us or that we currently consider immaterial may also impair our business operations.

Strategic

Market Dynamics

Our business is affected by the uncertainties of economic and political conditions: Our business environment is influenced by conditions in the domestic and global economies. Numerous factors, such as global political conflicts, including situations in the Middle East and other regions, continue to impact macroeconomic parameters and the international capital markets. The uncertainty of economic and political conditions can impact the demand for our products and services and can also make our budgeting and forecasting more difficult.

Our Groups are affected by market conditions. For example Medical Solutions (Med) is dependent on the healthcare markets, particularly in the U.S. Some of our Groups are affected considerably by the markets in Asia as well as Middle East, such as Power Generation (PG) and Power Transmission & Distribution (PTD). In addition, the financial condition of our customers may negatively impact our Groups.

Our financial results and cash flows may be adversely affected by continued strategic reorientations and cost-cutting initiatives: We are in the process of strategic reorientations and constantly perform cost-cutting initiatives, including headcount reduction, capacity adjustments through consolidation of business activities and manufacturing facilities, as well as streamlining product portfolios. These measures impact our earnings results and any future contribution of these measures to our profitability will be influenced by the actual savings achieved and by our ability to sustain these ongoing efforts.

We operate in highly competitive markets, which are subject to price pressures and rapid changes: The worldwide markets for our products are highly competitive in terms of pricing, product and service quality, development and introduction time, customer service and financing terms. We face strong competitors, some of which are larger and may have greater resources in a given business area. Siemens faces downward price pressure and is exposed to market downturns or slower growth. Some industries in which we operate are undergoing consolidation, which may result in stronger competitors and a change in our relative market position. In some of our markets, new products must be developed and introduced rapidly in order to capture available opportunities and this can lead to quality problems. Our operating results depend to a significant extent on our abilities to adapt to changes in markets and to reduce the costs of producing high-quality new and existing products. Any inability to do so could have a material adverse effect on our financial condition or results of operations.

Our businesses must keep pace with technological changes and develop new products and services to remain competitive: The markets in which our businesses operate experience rapid and significant changes due to the introduction of innovative technologies. To meet our customers needs in these businesses, we must continuously design new, and update existing, products and services and invest in and develop new technologies. This is especially true for our Group Med. Introducing new offerings and technologies requires a significant commitment to research and development, which may not always result in success. Our sales and profits may suffer if we invest in technologies that do not function as expected or are not accepted in the marketplace as anticipated, if our products or systems are not brought to market in a timely manner, or as they become obsolete.

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Our financial results and cash flows may be adversely affected by cost overruns or additional payment obligations particularly with respect to our long-term contracts: A majority of our operating Groups, including Siemens IT Solutions and Services (SIS), Industrial Solutions and Services (I&S), Siemens Building Technologies (SBT), PG, PTD and Transportation Systems (TS), perform a significant portion of their business, especially large projects, under long-term contracts that are awarded on a competitive bidding basis. The profit margins realized on such fixed-priced contracts may vary from original estimates as a result of changes in costs and productivity over their term. We sometimes bear the risk of quality problems, cost overruns or contractual penalties caused by unexpected technological problems, unforeseen developments at the project sites, performance problems with our subcontractors or other logistical difficulties. Certain of our multi-year contracts also contain demanding installation and maintenance requirements, in addition to other performance criteria relating to timing, unit cost requirements and compliance with government regulations, which, if not satisfied, could subject us to substantial contractual penalties, damages, non-payment and contract termination. There can be no assurance that all of our fixed-priced contracts can be completed profitably. For additional information, see Item 5: Operating and Financial Review and Prospects Critical Accounting Estimates.

Planning & Resources

We may be adversely affected by our equity interests and strategic alliances: Our strategy includes strengthening our business interests through joint ventures and associate companies, as well as strategic alliances. Certain of our strategic investments accounted for using the equity method are included in our Strategic Equity Investments (SEI), which consist of Nokia Siemens Networks (NSN), BSH Bosch und Siemens Hausgeräte GmbH (BSH) and Fujitsu Siemens Computers (Holding) BV (FSC). Any factors negatively influencing the profitability of our equity investments could have a negative impact on our own results, and may also negatively affect our cash flow and our ability to recover the full amount of our investments. In addition, such portfolio transactions are inherently risky because of the difficulties of integrating people, operations, technologies and products that may arise. Strategic alliances may also pose risks for us because we compete in some business areas with companies with which we have strategic alliances.

Acquisitions and Dispositions

Our financial results and cash flows may be adversely affected by portfolio measures: Our strategy includes divesting our interests in some business areas and strengthening others through portfolio measures, including mergers and acquisitions.

With respect to dispositions, we may not be able to divest some of our activities as planned and our divesting activities could have a negative impact on our results of operations, our cash flow at closing, as well as in the future, and on our reputation. For example, we plan to dispose of our enterprise networks business. The assets and liabilities of the enterprise networks business were classified on the balance sheet as held for disposal and measured at the lower of their carrying amount and fair value less costs to sell and the historical results are reported as discontinued operations. Further impairments may be necessary and we may not be able to achieve the planned purchase price for the disposal group. For additional information with respect to the enterprise networks business, see Notes to Consolidated Financial Statements.

Mergers and acquisitions are inherently risky because of the difficulties of integrating people, operations, technologies and products that may arise. There can be no assurance that any of the businesses we acquire can be successfully integrated or that they will perform well once integrated. In addition, we may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to integration of acquired businesses. Furthermore, portfolio activities may result in additional financing needs and adversely affect our financial leverage and our debt-to-equity ratio. Acquisitions may also lead to substantial increases in long-lived assets, including goodwill. Write-downs of these assets due to unforeseen business developments may materially and adversely affect our earnings. Particularly Med, Automation and Drives (A&D), PG and I&S have significant amounts of goodwill.

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Operations

Supply Chain Management

We are dependent upon the ability of third parties to deliver parts, components and services on time: We rely on third parties to supply us with parts, components and services. Using third parties to manufacture, assemble and test our products reduces our control over manufacturing yields, quality assurance, product delivery schedules and costs. The third parties that supply us with parts and components also have other customers and may not have sufficient capacity to meet all of their customers needs, including ours, during periods of excess demand. Component supply delays can affect the performance of certain of our operating Groups. Although we work closely with our suppliers to avoid supply-related problems, there can be no assurance that we will not encounter supply problems in the future or that we will be able to replace a supplier that is not able to meet our demand. This risk is particularly evident in businesses with a very limited number of suppliers. Shortages and delays could materially harm our business. Unanticipated increases in the price of components due to market shortages or other reasons could also adversely affect the performance of certain of our business Groups.

We may be adversely affected by rising raw material prices: Our operating Groups are exposed to fluctuations in energy and raw material prices. In the recent past, oil, steel and copper prices in particular have increased on a worldwide basis. If we are not able to compensate for or pass on our increased costs to customers, such price increases could have a material adverse impact on our financial results.

Product Lifecycle Management

We face operational risks in our value chain processes: Our value chain comprises all steps, from research and development, to production, marketing and sales up to services. Operational failures in our value chain processes could result in quality problems or potential product, labor safety, regulatory or environmental risks. Such risks are particularly present in relation to our production facilities, which are located all over the world and have a high degree of organizational and technological complexity. From time to time, some of the products we sell have quality issues resulting from the design or manufacture of such products, or from the software integrated into them. Such operational failures or quality issues could have a material adverse effect on our financial condition or results of operations.

Human Resources

We are dependent upon hiring and retaining highly qualified management and technical personnel: Competition for highly qualified management and technical personnel remains intense in the industries and regions in which our business Groups operate. In many of our business areas, we further intend to extend our service businesses significantly, for which we will need highly skilled employees. Our future success depends in part on our continued ability to hire, assimilate and retain engineers and other qualified personnel. There can be no assurance that we will continue to be successful in attracting and retaining highly qualified employees and key personnel in the future and any inability to do so could have a material adverse effect on our business.

Financial

Market

We are exposed to currency risks and interest rate risks: We are particularly exposed to fluctuations in the exchange rate between the U.S. dollar and the euro, because a high percentage of our business volume is conducted in the U.S. and as exports from Europe. As a result, a strong euro in relation to the U.S. dollar can have a material impact on our revenues and results. Certain currency risks as well as interest rate risks are hedged on a company-wide basis using derivative financial instruments. Depending on the development of foreign currency exchange rates, our hedging activities can have significant effects on our cash flow, particularly for our treasury activities (Corporate Treasury). Our Groups engage in currency hedging activities which sometimes do not qualify for hedge accounting. In addition, our Corporate Treasury has interest rate hedging activities which also do not qualify for hedge accounting, and are subject to changes in interest rates. Accordingly, exchange rate and interest rate fluctuations may influence our financial results and lead to earnings volatility. A strengthening of the euro particularly against the U.S. dollar may also change our competitive position, as many of our competitors may benefit from having a substantial portion of their costs based in weaker currencies, enabling them to offer their products at lower prices. For more details regarding currency risks, interest rate risks, hedging activities and other market risks, please see Item 11: Quantitative and Qualitative Disclosure About Market Risk.

Liquidity and Credit

Our Corporate Treasury financing is affected by the uncertainties of economic conditions and the development of capital markets: Our Corporate Treasury is responsible for the financing of the Company and our Groups. A negative development in the capital markets increases our cost of capital and limits our financing flexibility. For example, the recent development in the subprime mortgage market in the U.S. has had a global impact on the capital markets. Such developments could limit our possibilities of debt financial instruments financing.

Our financing activities subject us to various risks including credit and interest rate risk: We provide to our customers various forms of direct and indirect financing in connection with large projects such as those undertaken by PG and TS. We finance a large number of smaller customer orders, for example the leasing of medical equipment, in part, through Siemens Financial Services (SFS). SFS also incurs credit risk by financing third-party equipment. We also sometimes take a security interest in the projects we finance. We may lose money if any of our customers are not able to pay us, if the value of the property that we have taken a security interest in declines, if interest rates or foreign exchange rates fluctuate, or if the projects in which we invest are unsuccessful, and such losses could have a material adverse effect on our financial condition or results of operations.

Downgrades of our ratings may increase our cost of capital and could negatively affect our businesses: Our financial condition, results of operations and cash flows are influenced significantly by the actual and expected performance of the operating Groups, as well as the Company s portfolio measures. An actual or expected negative development of our results of operations or cash flows or an increase in our net debt position may result in the deterioration of our credit rating. Downgrades by rating agencies may increase our cost of capital and could negatively affect our businesses.

Capital Structure

The funded status of our off-balance sheet pension benefit plans and its financial statement impact is dependent on several factors: The funded status of our pension plans may be affected by an increase or decrease of the Defined Benefit Obligation (DBO), as well as by an increase or decrease in the valuation of plan assets. Pensions are accounted in accordance with actuarial valuations, which rely on statistical and other factors in order to anticipate future events. These factors include key pension plan valuation assumptions like the discount rate, expected rate of return on plan assets, rate of future compensation increases and pension progression. Assumptions may differ from actual developments due to changing market and economic conditions, thereby resulting in an increase or decrease of the DBO. Significant changes in investment performance or a change in the portfolio mix of invested assets can result in corresponding increases and decreases in the valuation of plan assets, particularly equity securities, or in a change of the expected rate of return on plan assets. Also, changes in pension plan assumptions can affect net periodic pension cost. For example, a change in discount rates or in the expected return on plan assets assumption may result in changes in the net benefit pension cost in the following financial year. For additional information, see Item 5: Operating and Financial Review and Prospects Critical Accounting Estimates and Notes to Consolidated Financial Statements.

Compliance

Code of Conduct

Public prosecutors and other government authorities in jurisdictions around the world, including the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ), are conducting investigations of Siemens and certain of its current and former employees regarding allegations of public

corruption and other illegal acts. The results of these and any future investigations may have a material adverse effect on the development of future business opportunities, our financial results and condition, the price of our shares and ADSs and our reputation: Public prosecutors and other government authorities in jurisdictions around the world are investigating allegations of corruption at a number of Siemens business Groups and regional companies. In addition to ongoing investigations, there could be additional investigations launched in the future by governmental authorities in these or other jurisdictions and existing investigations may be expanded. These governmental authorities may take action against us or some of our employees. These actions could include criminal and civil fines, in addition to those already imposed on the Company, as well as penalties, sanctions, injunctions against future conduct, profit disgorgement, disqualifications from engaging in certain types of business, the loss of business licenses or permits or other restrictions. In addition to monetary and other penalties, a monitor could be appointed to review future business practices with the goal of ensuring compliance with applicable laws and we may otherwise be required to further modify our business practices and compliance programs. Tax authorities may also impose certain remedies, including potential tax penalties.

Depending on the development of these investigations, we may be required to accrue additional material amounts for such penalties, damages, profit disgorgement or other possible actions that may be taken by various governmental authorities. Any of the foregoing could have a material adverse effect on our business, financial results and condition, the price of our shares and our reputation.

Additionally, we engage in a substantial amount of business with governments and government-owned enterprises around the world. We also participate in a number of projects funded by government agencies and non-governmental organizations such as the World Bank. If we or our subsidiaries are found to have engaged in illegal acts or not to have taken effective steps to address the allegations or findings of corruption in our business, this may impair our ability to participate in business with governments or non-governmental organizations and may result in formal exclusions from such business, which may have a material adverse effect on our business. As described more fully in Item 4: Information on the Company Legal Proceedings, we or our subsidiaries have in the past been excluded from government contracting as a result of findings of corruption or other misconduct. Debarment from participating in contracting with governments or non-governmental organizations in one jurisdiction may also lead to debarment in other jurisdictions or by other non-governmental organizations. Even if we are not formally excluded from participating in government business, government agencies or non-governmental organizations may informally exclude us from tendering for or participating in certain contracts. From time to time, we have received requests for information from government customers and non-governmental organizations regarding the investigations described above and our response to those investigations. We expect such requests to continue.

In addition, our involvement in existing and potential corruption proceedings could also damage our reputation generally and have an adverse impact on our ability to compete for business from both public and private sector customers. The investigations could also impair our relationship with business partners on whom we depend and our ability to obtain new business partners and could also adversely affect our ability to pursue strategic projects and transactions which could be important to our business, such as alliances, joint ventures or other combinations. Current or future investigations could result in the cancellation of certain of our existing contracts, and the commencement of significant third-party litigation, including by our competitors.

The governmental investigations as well as the investigation conducted by Debevoise & Plimpton LLP, the independent law firm mandated by the Company, are at this time incomplete and we cannot predict when they will be completed or what their outcome will be, including the potential effect that their results or the reactions of third parties thereto, may have on our business. Future developments in these investigations, responding to the requests of governmental authorities and cooperating with these investigations, especially if we are not able to resolve the investigations in a timely manner, could divert management s attention and resources from other issues facing our business. Management is in the process of implementing a remediation plan to address corruption and compliance risk in our business. If this remediation plan is unsuccessful, or if we cannot implement it in a timely manner, there could be an increased risk that one or more of the risks described above could materialize.

We have concluded that our internal control over financial reporting was not effective as of September 30, 2007. As a result, our ability to report our results of operations accurately and in a timely manner, including our ability to make required filings with government authorities, may be adversely affected. In addition, the trading

price of our shares and ADSs may be adversely affected by a related negative market reaction: We have identified a material weakness in our internal control over financial reporting. Our management, including the CEO and CFO, has concluded that our disclosure controls and procedures were not effective as of September 30, 2007 to achieve their intended objectives. Following the guidelines stipulated by the Public Company Accounting Oversight Board, we have identified the following material weakness in our internal control over financial reporting: The Company s internal control in the area of anti-corruption was not sufficiently robust to prevent certain members of management from circumventing or overriding elements of the Company s financial control environment and misusing funds contrary to Company policies. As of September 30, 2007, the investigations of this failure, and the implementation of the Company s remediation plan to address it, were not far enough advanced to provide a sufficient level of assurance that such circumvention or override of controls and misuse of funds by management would be prevented. For more information, see Item 15: Controls and Procedures. As of the date of this annual report on Form 20-F, the process of designing, implementing and validating remedial measures related to the material weakness is ongoing. Although we have identified a material weakness, we have not yet identified all of the areas in which the relevant controls were deficient, and as a result have not been in a position to remediate them. If our efforts to remediate this material weakness are not successful, we may be unable to report our results of operations accurately and in a timely manner and make our required filings with government authorities, including the U.S. Securities and Exchange Commission. Furthermore, our business and operating results and the price of our shares and ADSs may be adversely affected by related negative market reactions. We cannot be certain that in the future additional material weaknesses will not exist or otherwise be discovered.

Legal

Our business could suffer as a result of current or future litigation: We are subject to numerous risks relating to legal proceedings to which we are currently a party or that could develop in the future. In the ordinary course of our business, we become party to lawsuits, including suits involving allegations of improper delivery of goods or services, product liability, product defects, quality problems and intellectual property infringement. For additional information with respect to legal proceedings, see Item 4: Information on the Company Legal Proceedings. There can be no assurance that the results of these or other legal proceedings will not materially harm our business, reputation or brand. We record a provision for litigation risks when (i) a present obligation as a result of a past event exists; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. We maintain liability insurance for certain legal risks at levels our management believes are appropriate and consistent with industry practice. We may incur losses relating to litigation beyond the limits, or outside the coverage, of such insurance and such losses may have a material adverse effect on the results of our operations or financial condition and our provisions for litigation related losses may not be sufficient to cover our ultimate loss or expenditure.

Regulatory

We are subject to risks associated with our international operations: Changes in regulatory requirements, tariffs and other trade barriers and price or exchange controls could impact our sales and profitability and make the repatriation of profits difficult. In addition, the uncertainty of the legal environment in some regions could limit our ability to enforce our rights. We expect that sales to emerging markets will continue to be an increasing portion of total sales, as our business naturally evolves and as developing nations and regions around the world increase their demand for our offerings. Emerging market operations present several risks, including civil disturbances, health concern, cultural differences such as employment and business practices, volatility in gross domestic product, economic and governmental instability, the potential for nationalization of private assets, and the imposition of exchange controls. In particular, the Asian markets are important for our long-term growth strategy and our sizeable operations in China are influenced by a legal system that is still developing and is subject to change. Our growth strategy could be limited by governments supporting local industries. The demand for many of the products of our business Groups, particularly those that derive their revenue from large projects, can be affected by expectations of future demand, prices and gross domestic product in the markets in which those Groups operate. If any of these risks or similar risks associated with our international operations were to materialize, it could have a material adverse effect on our results of operations and financial condition.

We are subject to environmental and other government regulations: Some of the industries in which we operate in are highly regulated. Current and future environmental and other government regulations, or changes thereto, may result in significant increases in our operating or product costs. We could also face liability for damage or remediation for environmental contamination at the facilities we design or operate. See Item 4: Information on the Company Environmental Matters for a discussion of significant environmental matters. We accrue for environmental risks when (i) a present obligation as a result of a past event exists; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. With regard to certain environmental risks, we maintain liability insurance at levels that our management believes are appropriate and consistent with industry practice. We may incur environmental losses beyond the limits, or outside the coverage, of such insurance and such losses may have a material adverse effect on the results of our operations or financial condition and our provisions for environmental remediation may not be sufficient to cover the ultimate losses or expenditures.

Changes in tax regulations could result in lower earnings and cash flows: We operate in approximately 190 countries and therefore are subject to different tax regulations. Changes in tax regulation could result in higher tax expenses and payments. Furthermore, changes in tax regulation could impact our tax liabilities as well as deferred tax assets.

ITEM 4: INFORMATION ON THE COMPANY

Overview

Siemens traces its origins to 1847. Beginning with advances in telegraph technology, the Company quickly expanded its product line and geographic scope, and was already a multi-national business by the end of the 19th century. The Company formed a partnership under the name Siemens & Halske in 1847, reorganized as a limited partnership in 1889 and as a stock corporation in 1897. The Company moved its headquarters from Berlin to Munich in 1949, and assumed its current name as Siemens Aktiengesellschaft, a stock corporation under the Federal laws of Germany, in 1966. The address of our principal executive offices is Wittelsbacherplatz 2, D-80333 Munich, Germany; telephone number +49 (89) 636 00.

During fiscal 2007, Siemens employed an average of 386,200 people and operates in approximately 190 countries worldwide. In fiscal 2007, we had revenue of 72.448 billion. Our balanced business portfolio is based on leadership in electronics and electrical engineering. We have combined this expertise with a commitment to original research and development (R&D) to build strong global market positions in the sectors energy, industry and healthcare. While the energy sector comprises our Groups Power Generation (PG) and Power Transmission and Distribution (PTD), the industry sector encompasses our Groups Automation and Drives (A&D), Industrial Solutions and Services (I&S), Siemens Building Technologies (SBT), Osram and Transportation Systems (TS). Healthcare consists of our Group Medical (Med), providing medical solutions including diagnostics. Besides these activities, Siemens IT Solutions and Services (SIS) provides information and communication services to customers and to other Siemens Groups. Also, in fiscal 2007, the Company had a Real Estate business comprising the activities of Siemens Financial Services (SFS) and Siemens Real Estate (SRE). As a result of our strategic reorientation, SIS and SFS will be cross-functional activities and SRE will become an internal Company unit. Our businesses operate under a range of regional and economic conditions. In internationally-oriented long-cycle industries, for example, customers have multi-year planning and implementation horizons that tend to be independent of short-term economic trends. Our activities in these areas include PG, PTD, Med and TS. In fields with more industry-specific cycles, customers tend to have shorter horizons for their spending decisions and greater sensitivity to current economic conditions. Our activities in these areas include A&D and Osram. Some Groups, especially Med are also influenced by technological change and the rate of acceptance of new technologies by end users.

As a globally operating organization, we also conduct business with customers in Iran, Sudan, Syria, Cuba and North Korea. The U.S. Department of State designates these countries as state sponsors of terrorism and subjects them to export controls. Our activities with customers in these states are insignificant relative to our size (less than 1% of our sales in fiscal 2007) and do not, in our view, represent either individually or in aggregate a material investment risk. In light of current humanitarian conditions in Sudan, Siemens ceased its business activities in that country as of June 30, 2007. However, we may participate in humanitarian efforts of internationally recognized organizations in Sudan. We actively employ systems and procedures for compliance with applicable export control programs, including those in the United States, the European Union and Germany.

In the second quarter of fiscal 2007, we successfully concluded our Fit4More program, which we initiated in fiscal 2005. Its goal was to increase profitability and growth. The main areas of the program were: *Performance and Portfolio, Operational Excellence, People Excellence* and *Corporate Responsibility.* The overall objective of the program was to increase profitability, as measured by specific margin targets for our business Groups. Beginning with the second quarter of fiscal 2007, we started a new program called Fit for 2010 which is based on the pillars of the Fit4More program.

In the remainder of this section, we detail the Fit for 2010 strategy, highlight portfolio optimization activities in recent years and describe the various segments of our business in more detail.

Fit for 2010 program

The overall objectives of Fit for 2010, defined as *Performance* targets, are to achieve profitable growth and to increase the value of the company. Drivers of *Performance* are *Portfolio, People Excellence, Corporate Responsibility and Operational Excellence.*

Performance sets medium-term goals for Siemens to further enhance our competitiveness and our company value by defining return, growth, cash and capital structure targets for the company and margin ranges for our business Groups.

Portfolio involves reaching or holding leading positions in all our businesses. Predominantly in the three sectors energy, industry and healthcare we intend to round out our portfolio with new products and technologies by organic growth as well as acquisitions.

People Excellence means achieving and maintaining a high-performance culture. We are committed to systematically developing top talent, especially emerging leaders and technical, subject matter experts. People Excellence entails fostering outstanding knowledge and unique skills in every individual and developing the capability to work in high-performance teams across organizational boundaries.

Corporate Responsibility comprises our commitment to the society. This includes *Corporate Governance, Compliance, Climate Protection, Corporate Citizenship* and *Portfolio*. *Corporate Governance* is as the basis of all our decision-making and monitoring processes. With our *Compliance* system, we are seeking to set the standard for high integrity and transparency. With binding rules and guidelines we intend to ensure that our employees and managers always conduct themselves in a legal and ethical manner in relation to each other and to our business partners. *Climate Protection* is an obligation to society but also a business opportunity with significant growth rates. Siemens is developing technological innovations that help save energy and limit greenhouse gas emissions. Furthermore we have launched an energy efficiency program for our production facilities worldwide. Within *Corporate Citizenship* the global rollout of both Siemens-wide citizenship programs, Siemens Generation21 in the field of education and Siemens Caring Hands for social assistance services, will be continued and intensified. A further goal is to implement projects that foster social and business benefits by more strongly integrating Siemens specific expertise for example by providing support for infrastructure deficiencies.

Operational Excellence is executing our Siemens Management System initiative which focuses on Innovation, Customer Focus and Global Competitiveness. Innovation has been a hallmark of Siemens since its inception, and our commitment to innovation remains strong, with increasing R&D expenses in fiscal 2007 compared to fiscal 2006. Customer Focus means meeting a customer s needs rather than simply selling a product or service. We market our products, solutions and services not only through our business Groups but also by taking advantage of cross-selling opportunities. Global Competitiveness relates to our ability to compete and market our products on a worldwide basis. As mentioned above, Siemens is present in approximately 190 countries and benefits from its multicultural mix of managers and employees in these countries. It is our primary goal to secure competitive strength by utilizing and improving all parts of our worldwide value chain including procurement, production and hardware, development of software, shared services and back-office functions.

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Portfolio Activities

Since fiscal 2005, we have completed the following significant transactions to optimize our business portfolio for sustainable profitability and growth:

Acquisitions

A&D s acquisition of U.S.-based UGS Corp. (UGS), one of the leading providers of product lifecycle management (PLM) software and services for manufacturers, in May 2007;

Med s acquisition of the diagnostics division of Bayer Aktiengesellschaft (Bayer) in January 2007, enabling Siemens to expand its position in the molecular diagnostics market;

Med s acquisition of the immunodiagnostics provider Diagnostics Products Corporation (DPC), USA, in the fourth quarter of fiscal 2006;

Acquisition of a number of entities in fiscal 2006, which were not significant individually: the coal gasification business of the Swiss Sustec-Group, Wheelabrator Air Pollution Control, Inc., USA, a supplier of air pollution control and reduction products and solutions for the coal-fired power and industrial market, both at PG; Electrium, UK, vendor of electrical installation systems at A&D; and Bewator, Sweden, a supplier of products and systems for access control solutions at SBT;

Acquisition completed in July 2005 of the Austrian engineering group VA Technologie AG (VA Tech), primarily integrated into I&S and PTD; in May 2006, in order to comply with a European antitrust ruling, the Company sold the majority of the VA Tech power generation business, including the hydropower activities, to Andritz AG, Austria;

A&D s acquisition in July 2005 of Flender Holding GmbH, Germany (Flender), a supplier of gear systems;

Med s acquisition of CTI Molecular Imaging, Inc., U.S. (CTI) in May 2005 to strengthen Siemens commitment to molecular imaging development; and

Acquisition of two entities at Power Generation (PG) and A&D in fiscal 2005, which were not significant individually: Bonus Energy A/S (Bonus), Denmark, a supplier of wind energy systems, and Robicon Corporation (Robicon), U.S., a manufacturer of medium-voltage converters for AC motors.

On July 25, 2007, Siemens also signed an agreement with Dade Behring Holdings, Inc. (Dade Behring), USA, to acquire all issued and outstanding shares of common stock of Dade Behring by submitting a cash tender offer of U.S.$77 per share. The transaction closed at the beginning of November 2007 (see also *Subsequent events*).

Dispositions

In April 2007, Siemens contributed its carrier-related operations and Nokia Corporation (Nokia), Finland contributed its Networks Business Group into Nokia Siemens Networks BV, the Netherlands (NSN), in exchange for shares in NSN. Siemens and Nokia each own an economic share of approximately 50% of NSN. The transaction resulted in a preliminary pre-tax non-cash gain of 1.627 billion which is included in discontinued operations. Siemens has the ability to exercise significant influence over operating and financial policies of NSN and beginning April 2007 reports its equity interest in NSN in *Investments accounted for using the equity method* and its share of income (loss) in NSN in *Income (loss) from investments accounted* *for using the equity method, net*. For periods prior to April 2007 the carrier-related operations are reported in discontinued operations;

In August 2006, Siemens sold the majority of its Dematic business, which consisted of the Distribution and Industry Logistics (DI) and Material Handling Products (MHP) divisions, formerly of the Logistics and Assembly Systems Group (L&A) to Trition Managers II Limited, Jersey; and

At the beginning of April 2006, the former operating segment Siemens Business Services (SBS) closed the sale of its Product Related Services (PRS) business to Fujitsu Siemens Computers (Holding) BV.

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Discontinued Operations

On July 25, 2007, we signed an agreement with Continental AG, Hanover, Germany, to sell our entire SV activities. These business activities are reported in discontinued operations for both the current and prior periods;

The business activities of the enterprise networks business, which were part of Com, are reported in discontinued operations for both the current and prior periods; and

In September 2005, we sold our Mobile Device business, which lacked the necessary scale to compete effectively in a consolidating market. These business activities are reported in discontinued operations for both the current and prior periods.

For a detailed discussion of our acquisitions, dispositions and discontinued operations, see Notes to Consolidated Financial Statements.

Economic Value Added (EVA)

A core element of our strategy has been an emphasis on EVA as a measurement of the success of each of our business Groups and of our Company as a whole. Economic value added provides a measure of the return of a business Group over its cost of capital. We believe that our management incentive compensation, which is based on economic value added targets, plays a key role in keeping us focused on our profitability goals.

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Description of Business

In fiscal 2007, our segments* were comprised of our operating Groups, our Financing and Real Estate business, as well as our Strategic Equity Investments and were as follows:

* In fiscal 2006, Siemens announced portfolio changes that resulted in dissolving Communications (Com) as a Group and reportable segment.

A new segment called Strategic Equity Investments (SEI) was created as of October 1, 2006 and includes certain strategic investments accounted for under the equity method. Beginning in the third quarter of fiscal 2007, NSN is also reported in SEI.

SIS was created effective April 2007 and consists primarily of the activities of the former segment Siemens Business Services (SBS) that were bundled with other information technology (IT) activities.

In fiscal 2007, Siemens signed an agreement to sell its entire Siemens VDO Automotive (SV) activities to Continental AG. The SV business is reported as discontinued operations. Beginning in the fourth quarter of fiscal 2007, SV ceased to represent a reportable segment.

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Industry

Automation and Drives (A&D)

	Year ended September 30, 2007
Total revenue	15.389 billion
External revenue	13.695 billion
External revenue as percentage of Siemens revenue	18.90%
Group profit	2.090 billion

A&D offers products, solutions and services primarily targeted at three main end-customer segments:

Factory automation serves customers in the factory automation industry. Typical customers for these durable goods are the automotive and machinery industries.

Process automation serves mainly customers in the process automation industry, e.g. the chemical, pharmaceutical, food and beverage industries.

Electrical Equipment for buildings serves customers in the industrial and private building engineering industry (construction markets).

In May 2007, we acquired UGS Corp., a U.S. company based in Texas, for an estimated purchase price, including the assumption of debt, of 2.7 billion (including 75 million cash acquired). UGS is a leading provider of Product Lifecycle Management software and services, a software concept including construction, simulation and plant management for factory automation solutions like automotive plants, aeroplane plants, machinery production etc.

The products, solutions and services that we offer to our customers can be grouped in five technological segments:

Low voltage control and installation technology products include low voltage switchboards, circuit protection and distribution products and command and signaling devices. These products are used in the control cabinets of switchgear and control gear manufacturers and automation providers, who in turn serve producers of mechanical and electrical machinery and companies in the construction industry. We also offer electrical installation products such as circuit protection systems, small distribution board systems, wiring devices, switches and sockets for the distribution of electricity in residential and industrial buildings. Our modern bus-systems for communication and monitoring link products and systems together and further link these to building automation systems. The bus-systems are used principally in residential buildings and large commercial facilities such as plants and office buildings.

Manufacturing automation products include programmable logic controllers, human machine interfaces for integrated automated systems using a single system platform, industrial communications systems and industrial software. Our main customers for these products are the durable goods and capital equipment industries, especially mechanical engineering companies. In addition, we integrate these products into industry- or customer-specific hardware and software solutions and, for the automotive industry, we plan, engineer and sell complete manufacturing automation solutions. The acquisition of UGS Corp. in May 2007 strengthens our position in the manufacturing automation market.

Motion control and drive system products include motors, drives, gears and computerized numerical controls for machine tools, as well as automation and drive equipment for all types of production machines and material handling equipment. We also sell motors and drives, from low to high voltage, and gears for various applications in different industries and in infrastructure facilities. Applications include rolling mills and ships, engines for all kinds of rail vehicles and ventilation and water and wastewater transportation systems.

Process automation products and services include process instrumentation and analytics and wireless modules for companies in the raw materials and other materials processing and capital equipment industries. We plan, engineer and sell complete solutions that integrate these products for specific applications in the chemical,

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pharmaceutical, food and beverage, and non-metallic minerals industries. We use our computerized process control system as the basis for our batch and process solutions.

Electronic assembly systems products are mainly surface mount technology (SMT) placement systems that automate the mounting of components onto printed circuit boards.

We sell our products primarily through our sales force in Germany and through dedicated personnel in Siemens worldwide network of regional sales units. We also sell a significant proportion of our products to original equipment manufacturers (OEM), system and software houses and third-party distributors for resale to end users. The majority of our sales to third parties goes to industrial customers in the mechanical and electrical machines industries. A significant portion is also made to distributors, system and software houses and engineering companies.

The following chart shows the geographic distribution of A&D s external revenue in fiscal 2007:

Consolidation in our industry is occurring on multiple levels. Suppliers of automation solutions to manufacturing companies have supplemented their activities with drives technology. Suppliers of manufacturing and process control systems are cooperating or combining through acquisitions or cooperative ventures with suppliers of field technology and outsource facility operation and monitoring activities to establish comprehensive automation suppliers.

Intense competition and rapid technical progress within our industry place significant pressure on prices. Average product lifetimes in our businesses tend to be short, typically from one to five years after introduction, and are even shorter where software and electronics play an important role. Product lifetimes tend to be longer in motors, gears and electromechanical devices.

Each of our principal competitors ABB, Schneider Electric and Emerson has a broad business portfolio similar to ours. We also compete with specialized companies such as Rockwell, Eaton, Honeywell and Fanuc, as well as with local companies, particularly in the Chinese and Indian markets. Our U.S. competitors traditionally have had strong positions in software technologies, while Asian competitors have generally focused on large-scale production and cost cutting. Nevertheless, most of our major competitors have established global bases for their businesses. In addition, competition in the field has become increasingly focused on technological improvements to electronics and software. As a result of the acquisition of UGS, we compete in the Product Lifecycle Management software business with Dassault Systemes and in the emerging market of Enterprise Ressource Planning (ERP) software with companies such as SAP and Oracle.

Industrial Solutions and Services (I&S)

	Year ended September 30, 2007
Total revenue	8.894 billion
External revenue	7.824 billion
External revenue as percentage of Siemens revenue	10.80%
Group profit	415 million

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I&S develops solutions and services for industrial and infrastructure facilities from planning and installation through to operation and the whole equipment lifecycle. Our systems and processes are applied for iron and steel production, treatment of potable water and wastewater, as well as for traffic systems, airport logistics and postal automation. We are also involved in the pulp and paper sector, oil and gas, shipbuilding and mining.

During fiscal 2007, we provided our solutions and services through the following seven divisions:

Industrial Services is responsible for our industrial technical services activities, providing a wide range of technical services covering each stage of the lifecycle of industrial plants, infrastructure facilities and utilities. We serve customers in a variety of industries. Under the trade name Siemens Industrial Services, we provide engineering and general contracting services for plant construction and modernization and deliver on-call and logistics services, maintenance services, including predictive maintenance, as well as auxiliary process management services globally on a local basis.

Water Technologies provides water and wastewater treatment products (filters, membranes and resin), integrated solutions (membrane systems, filtration solutions, chemical feed, ion exchange systems, disinfections systems and biological treatment) and outsourcing solutions (contract operations, build-own-operate solutions and customer asset management) and services (carbon and resin regeneration, mobile water treatment and maintenance).

Intelligent Traffic Systems offers automated systems for urban and inter-urban traffic control and management. These systems include information technology for traffic detection, information and guidance and parking space management, in addition to solutions for electronic tolls and tunnel traffic guidance and access control. Our airfield technologies business provides systems and solutions for the accurate monitoring, navigation and control of aircraft ground movement, as well as a variety of lighting systems for the visual guidance of airfield traffic.

Metals Technologies provides process technology solutions and services for the mining and metals industries. The four sub divisions (Iron and Steelmaking, Rolling and Processing, Mining and Metal and Mining Services) offer plants and equipment (products), electrics and automation (systems) and services (life cycle management).

Airport Logistics offers systems to track and control cargo in and around airport terminals, as well as a full range of baggage handling functions, from the check-in counter and screening, to baggage reclaim, including services and parts for such systems. We also provide security solutions for the aviation industry, integrating baggage screening and explosives detection technologies.

Postal Automation provides equipment for sorting of both standard and large letters (so-called flats), as well as parcels; reading and coding systems; postal information technology; mail security solutions; and postal services such as product-related after-sales services and general contracting.

As of October 1, 2007, the Airport Logistics and Postal Automation divisions will be merged to form a new division called Infrastructure Logistics.

Oil, Gas & Marine uses industry-specific expertise to design, engineer and deliver solutions tailored to the needs of customers in the oil & gas and marine industries.

Our Metals Technologies, Airport Logistics and Postal Automation divisions derive their sales revenues primarily from projects awarded on the basis of internationally solicited tenders. These projects tend to be performed under long-term, high-value contracts with a relatively limited number of customers. Our Water Technologies division focuses on industrial and municipal customers. Intelligent Traffic Systems works predominantly with state and municipal customers. Siemens businesses collectively continue to be I&S largest customer.

The large size of the projects performed by our divisions occasionally exposes us to risks related to our technical performance, to a customer or to a country. For additional information with respect to our long-term contracts, see Item 3: Key Information Risk Factors.

We market our services to our customers primarily through our dedicated sales force, supplemented by Siemens worldwide network of regional sales units.

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The following chart shows the geographic distribution of I&S external revenue in fiscal 2007:

Our competitors vary by business area and region. They range from large, diversified multinationals to small, highly specialized local companies. I&S main competitors internationally include ABB, General Electric, Honeywell, Invensys and Alstom. Our Industrial Services division also competes with a large variety of small locally based suppliers of contracting, maintenance and support services.

Siemens Building Technologies (SBT)

	Year ended September 30, 2007
Total revenue	5.062 billion
External revenue	4.952 billion
External revenue as percentage of Siemens revenue	6.84%
Group profit	354 million

SBT provides products, systems, solutions and services for monitoring and regulating the temperature, fire safety, ventilation, electricity, lighting and security of commercial and industrial property, tunnels, ships and aircraft.

During fiscal 2007, SBT consisted of the following four divisions:

Security Systems offers electronic security solutions and services for buildings and critical environments (e.g. ports and stadiums), including intruder detection and alarm systems, closed-circuit television video-surveillance, personal identification and building access control systems, as well as managed services such as centralized monitoring and control of each of these individual systems. The division further enhanced its product portfolio and solutions business through the acquisition of a leading Indian system provider during fiscal 2007.

Fire Safety and Security Products manufactures and sells system components for the global fire safety and security industry and offers systems, solutions and services to the non-residential markets for fire detection and protection, including computerized gas leakage and fire alarms and non-water based fire extinguishing systems, as well as comprehensive computer-based danger management systems which centrally monitor and control each of these individual systems. Our products serve to protect against fire, burglary, unauthorized access and loss of assets.

Building Automation offers systems, solutions and services to the non-residential markets for automating and regulating heating, ventilation and air conditioning (HVAC), electricity and lighting, including computerized building automation systems that integrate and manage all of these functions for an entire building. The division offers maintenance and training services for its systems and also provides energy solutions and services, aiming to improve a building s energy costs, reliability and performance while minimizing impact on the environment. For example, we refurbish buildings to improve their energy efficiency and provide our customers with a guaranteed level of energy cost savings. We also arrange for financing of the refurbishments.

HVAC Products manufactures and sells controls, sensors, detectors, valves and actuators used in systems that regulate heating, ventilation and air conditioning, electricity and lighting in buildings and factories.

Our customers consist of a large, widely-dispersed group of locally-based building owners, operators and tenants, building construction general contractors, mechanical and electrical contractors, HVAC systems OEMs, wholesalers, specialized system builders and installers.

SBT has a decentralized business organization that combines a small central headquarters, design and manufacturing at sites in six countries in Europe, North America and Asia and our own branch network. For some markets, we also distribute our products and systems through a network of independent field offices and distributors. Our services businesses and sales network have significant local presences.

The large size of the projects performed by our divisions occasionally exposes us to risks related to our technical performance, to a customer or to a country. For additional information with respect to our long-term contracts, see Item 3: Key Information Risk Factors.

We sell our products and systems throughout the world.

The following chart shows the geographic distribution of SBT s external revenue in fiscal 2007:

The main global competitors of our solutions businesses (e.g. security systems, fire safety & security solutions and building automation) are large system integrators such as Tyco, Honeywell, Johnson Controls, UTC and Bosch, as well as Schneider Electric in some markets. The fire safety products market consolidated considerably in recent years, creating heightened competition between major players. In addition, competitors continuously shift their production to low-cost countries. Due to the resulting comparative lower production costs, we continue to experience increased price pressure in the products market, as well as in fire safety solutions. The main competitors of our products business (e.g. HVAC products and fire safety & security products) are large multi-national suppliers such as GE, Johnson Controls, Honeywell, Bosch and Schneider Electric. In the HVAC market, we also see consolidation (including significant acquisitions by Honeywell, Schneider Electric, Danfoss and Daikin) and increased price competition for the same reasons as in the fire safety solutions market. We also face competition from niche competitors offering web-based solutions and from new entrants, such as utility companies and consulting firms, exploiting an increased demand for energy cost management. Consolidation also is continuing in the building automation market and vertical integration of mechanical equipment and controls is an important industry trend.

Osram

	Year ended September 30, 2007
Total revenue	4.690 billion
External revenue	4.677 billion
External revenue as percentage of Siemens revenue	6.46%
Group profit	492 million

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Our Lighting Group, Osram, offers a full spectrum of lighting products for a variety of applications. Osram designs, manufactures or sells the following types of lighting products and related materials, components and equipment through the following divisions:

General Lighting: incandescent, halogen, compact fluorescent, fluorescent and high-intensity discharge lamps for household and commercial applications, and public buildings, spaces and streets;

Automotive Lighting: halogen, incandescent and xenon discharge lamps for use in motor vehicle headlights, brake lights, turn signals and instrument panels, and, through an equal joint venture with Valeo, completed head- and tail-light assemblies for distribution in North America;

Display/Optic: special purpose halogen and high-intensity discharge lamps for lighting airport runways, film studios, lighting for microchip manufacturing, video and overhead projectors and medical and other applications requiring very intense lighting;

Opto-Semiconductors/LED systems: light emitting diodes (LED), organic light emitting diodes (OLED), high power laser diodes and other semiconductor devices and LED systems that generate visible light and ultraviolet and infrared radiation for use in interior and exterior automotive lighting and other applications, electronic equipment displays, traffic and signal lighting, signs and decorative lighting and infrared transmitters and sensors for industrial and consumer electronics;

Ballasts and Luminaires: electronic ballasts for optimized operation of compact fluorescent, fluorescent, high-intensity discharge, low-voltage halogen lamps and LED systems, as well as consumer fixtures and, increasingly, lighting control systems; and

Precision Materials and Components: glass for bulbs, phosphor powders for fluorescent lamps, computer monitors and television screens, tungsten and other metals for filaments in incandescent lamps and heavy duty tools and electronic components and materials for lamps and applications in the automotive industry, as well as equipment used in the production of lighting products.

As of October 1, 2007, the activities of the division Ballasts and Luminaires will be transferred into two divisions, Luminaires, and Electronics and Controls. Also, as of October 1, 2007, the division Precision Materials and Components will be renamed Global Tungsten Powder.

We market our products worldwide and have manufacturing locations throughout North and South America, Western and Eastern Europe and Asia, allowing us to stay close to our major customer regions and keep shipping charges low. We produce most of our own key precision materials and components to ensure that we have access to basic components in the necessary amounts, prices and levels of quality. We also sell precision materials and components of our production to third parties.

In the coming years, we expect the importance of electronics to continue to increase across all areas of the lighting industry, and we expect that Osram s revenue accounted for by electronic ballasts, electronically-driven lighting systems and opto-semiconductors will continue to increase.

Our customers include primarily wholesalers, retailers and manufacturers of lighting fixtures, lamp components and automotive systems. We distribute our products through Osram s own network of subsidiaries, sales offices and local independent agents in approximately 150 countries. The importance of the Internet as a sales channel is also steadily increasing. Osram has successfully implemented business-to-business extranet services in several countries and we continue to process over one third of our revenue electronically.

In recent years, the world market for lighting products has grown at moderate rates, with relatively higher growth in Asia-Pacific and Eastern Europe. In North America, we market most of our lighting products under the brand name Sylvania.

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The following chart shows the geographic distribution of Osram s external revenue in fiscal 2007:

As a result of acquisitions and consolidations over the last decades, Osram, Philips and General Electric are today the key players in the worldwide lighting market. Osram holds a number one or number two position worldwide in most of its product markets, such as lamps, electronic ballasts, automotive lamps and opto-semiconductors, competing principally with Philips and General Electric, as well as Nichia in the field of opto-semiconductors. Through joint ventures with Mitsubishi and Toshiba, we are the largest foreign manufacturer of lighting products in Japan, where Matsushita and Toshiba also hold strong market positions.

Price competition is intense in some areas of both the traditional and innovative lighting product markets, due to competition among Philips, Osram, General Electric, and the Japanese LED manufacturer Nichia, as well as rising competition from new entrants, including a growing number of Chinese manufacturers.

We continue to work on reducing the use of hazardous materials (e.g. mercury or lead) or to substitute for these in our products and processes. Sustainable products play a major role in our innovation strategy. Examples are our energy-saving lamps and lighting systems and our market introduction of mercury-free xenon lamps for motor vehicle headlamps.

Transportation Systems (TS)

	Year ended September 30, 2007
Total revenue	4.452 billion
External revenue	4.418 billion
External revenue as percentage of Siemens revenue	6.10%
Group profit	191 million

We are a leader in the global rail industry, offering a full range of products and services for railway transportation. We offer our customers innovative solutions and systems in such areas as modular vehicle concepts for mass transit and mainline systems; technology for driverless metros and computer-controlled electronic switches; optical sensor systems; and global positioning system (GPS)-based service and diagnostic concepts, among others. We combine rolling stock with automation and power product offerings in our turnkey systems business, and combined service and maintenance activities in our integrated services unit. Rolling stock refers to all major components of rail vehicles, including locomotives, railway cars, subway cars and streetcars.

We develop, manufacture and sell a full range of rolling stock in three product-focused divisions:

Mass Transit Our products include subway and suburban rapid transit trains, subway cars, as well as their subsystems and components and streetcars, light rail vehicles and their components.

Locomotive Our products include electric and diesel-electrical locomotives for passenger or freight rail. In addition to our manufacturing operations, we also refurbish and maintain locomotives and locomotive pools.

Trains Our products comprise rail vehicles with traction equipment integrated into the running gear and distributed over the entire train, including high speed trains, tilting trains, regional and rapid transit units and passenger coaches, as well as subsystems and components.

In our automation and power business, we conduct our operations in two divisions:

> *Rail Automation* For passenger and freight railway operations, we develop, manufacture and sell central control systems, signaling systems and equipment, interlockings and automated train control systems that regulate a train s speed through automatic application of its brakes when it exceeds speed limits or fails to respond to a signal. We sell entire systems and networks, as well as individual products for integration into existing signaling systems. For mass transit, we develop, manufacture and sell operation control centers for the operation of signals and switches in rail yards and between destinations, and signaling and vehicle control systems (including automated, driverless systems).
>
> *Electrification* For high speed, main line and mass transit, we supply products and systems for contact line and rail power supply.

In our Turnkey Systems division, we aim to optimize the design and construction of entire railway systems. We cooperate closely with the other TS businesses, integrating their products and services to offer turnkey projects from a single source. We also assist our customers with arranging financing in cooperation with SFS.

Our primary customers are transport authorities and national and private rail companies worldwide. Deutsche Bahn was again our largest customer in fiscal 2007, although the Chinese Ministry of Railways was nearly equally important as a percentage of our total revenue. We distribute our products through our own sales force in Germany and through dedicated personnel in the local Siemens companies worldwide.

Germany and other European countries have traditionally been our most important regional markets. We believe the most important regional growth markets are in the Asia-Pacific region. Demand in the German market for railway transportation products has continued to decline in recent years, as a result of reduced government funding of, and low investment in, the German rail transportation systems, and we expect that trend to continue for the foreseeable future.

The following chart shows the geographic distribution of TS external revenue in fiscal 2007:

Despite the trend toward privatizing state-owned railways and liberalization of the railways markets, national authorities continue to have influence in areas such as security and deregulation, or as general watchdog authorities over transport or railway facilities. In many countries, governments impose local content requirements, the fulfillment of which is often a basic precondition for market entry. The number of rail operators continues to increase, and both new and traditional operators are focusing not only on quality but also on price and low life-cycle costs that drive their own profitability. Price pressure is further influenced by budget constraints faced by many state operators, requiring innovative financing solutions. Our customers show a growing trend towards the outsourcing of servicing and maintenance of systems and equipment.

The large size of our projects occasionally exposes us to risks associated with technical performance, a customer or a country. In the past, we have experienced losses in connection with such risks. For additional information with respect to our long-term contracts, Item 3: Key Information Risk Factors.

We compete in our industry, on a global scale, with a relatively small number of large companies and with numerous small to midsized competitors who are either active on a regional level or specialize within narrow product spectrums. Our principal competitors are Alstom and Bombardier.

Energy

Power Generation (PG)

	Year ended September 30, 2007
Total revenue	12.194 billion
External revenue	12.159 billion
External revenue as percentage of Siemens revenue	16.78%
Group profit	1.147 billion

PG provides customers worldwide with a full range of equipment necessary for the efficient conversion of energy into electricity and heat. We also customize gas and steam turbines in the smaller output range, which can be used as drives for compressors or large pumps, to meet specific project needs. We offer a broad range of power plant technology, with activities that include: development and manufacture of key components, equipment, and systems; planning, engineering and construction of new power plants; and comprehensive servicing, retrofitting and modernizing of existing facilities.

PG consists of four businesses, each with a clear market focus on specific customer groups and technologies: Fossil Power Generation; Oil & Gas and Industrial Applications; Instrumentation and Controls; and Wind Power.

A power plant s function is the efficient conversion of primary energy, such as coal or natural gas, into electricity. In a fossil fuel plant, the power generation process begins with working media such as water, steam or compressed air, which are initially transferred to high pressure states by heating in boilers or combustion sections of gas turbines. Thereafter, steam and gas turbines convert this energy into mechanical energy, which in turn is converted into electricity by generators. In so-called combined cycle plants, a combination of gas and steam turbines is used to reach highly efficient conversion rates of nearly 60%. At the end of the process, electricity is fed into transmission grids from the plant site.

Fossil Power Generation includes power plants and systems engineering, as well as components and equipment engineering and manufacturing, such as fossil fuel-fired power plants and co-generation heat and power plants. Our fossil fuel power generation business concentrates on turbo generators, gas and steam turbines in the larger power range, with an emphasis on combined-cycle gas and steam power plants. We also perform power plant service, such as maintenance, rehabilitation and operations.

Oil & Gas and Industrial Applications includes steam and gas turbines in the small and medium power ranges, as well as turbo generators, turbo compressors and compressor solutions for the oil and gas industry. Our activities encompass design, engineering, supply and service.

Instrumentation and Controls designs, installs and commissions instrumentation and control systems and related equipment for use in power generation, including information technology solutions providing management applications from the plant to the enterprise level. We also provide a wide variety of related services.

Wind Power includes wind turbines from 1.3 MW to 3.6 MW for on- and offshore sites, as well as wind turbine service.

Additional areas of PG s activity include the development and production of systems based on emerging technologies such as fuel cells and fuel gasification. We also have minority stakes in joint ventures in the areas of nuclear and hydropower generation, which we account for under the equity method.

Although we aim to expand primarily through internal growth, we will continue to make acquisitions and form alliances where appropriate to increase market penetration, share costs or technologies and adapt to market changes. In the first quarter of 2007, we completed the acquisition of Kühnle Kopp & Kausch, a German manufacturer of small steam turbines and turbocompressors.

PG s principal customers are large power utilities and independent power producers, as well as construction engineering firms and developers. Because certain areas of our business, such as power plant construction, involve working on medium- or longer-term projects for customers who may not require our services again in the short term,

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our most significant customers may vary significantly from year to year. In fiscal 2007, Shuaibah Water and Electricity Company in Saudi Arabia, Eskom in South Africa, Taweelah Asia Power Company in the United Arab Emirates, Lilama Corp. in Vietnam and Torrent Power Ltd. in India were among our largest customers. We also generate an increasing portion of revenue from industrial customers, who represent an important market for smaller turbines and compressor solutions.

Our business activities vary widely in size from component delivery and comparatively small projects to turnkey contracts for new power plant construction with contract values of more than half a billion euros each. The large size of some of our projects occasionally exposes us to risks related to technical performance, a customer or a country. For additional information with respect to our long-term contracts, see Item 3: Key Information Risk Factors.

The following chart shows the geographic distribution of PG s external revenue in fiscal 2007:

Our sales efforts are conducted primarily by our own dedicated sales organizations, supported by Siemens worldwide network of regional sales units.

Today s worldwide market for new power plants is near the high level experienced in the early 2000s. The development in 2007 was driven primarily by strong economic development in China, which again was the strongest single market for worldwide power equipment orders in fiscal 2007. In the next several years, we estimate that the demand for power generation products in China might slow down, although this might be compensated by rising demand in other regional markets including Middle East, Russia, India and rest of Asia. Additionally, the strong economic growth and the increasing need to replace older, mainly coal fired units in industrialized countries have contributed to increased demand. This relatively high level of demand causes tight external supply markets, which are expected to relax within the next several years. The sustained and significant increase in oil and gas prices in recent years, ongoing ecological discussions and uncertainty relating to fuel markets create uncertainty surrounding the expected distribution of demand between gas, steam and nuclear power plants.

Our industry is one in which a relatively small number of companies, some with very strong positions in their domestic markets, play a key role. Our principal competitors vary by business. In Fossil Power Generation, our main competitors are General Electric, Alstom Power, Mitsubishi Heavy Industries, as well as Hitachi and Toshiba. Within Oil & Gas and Industrial Applications, we face competition from General Electric, Solar, MAN Turbo and Dresser Rand. In Instrumentation and Controls, where the market is more fragmented, ABB is our main competitor. Our main competitors in Wind Power, where the industry continues to consolidate, are Vestas, Gamesa, Enercon and General Electric.

Power Transmission and Distribution (PTD)

	Year ended September 30, 2007
Total revenue	7.689 billion
External revenue	7.126 billion
External revenue as percentage of Siemens revenue	9.84%
Group profit	650 million

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PTD supplies energy utilities and large industrial power users with equipment, systems and services used to process and transmit electrical power from the source, typically a power plant, to various points along the power transmission network and to distribute power via a distribution network to the end-user.

At the first step of the power transmission and distribution process, power generated by a power plant is transformed to a high voltage that can be transported efficiently over long distances along overhead lines or underground cables. This step occurs at or near the site of the power plant, and requires transformation, control, transmission, switching and protection systems. At the second stage of the process, the power passes through one or more substations, which use distribution switchgear to control the amounts delivered and circuit breakers and surge arresters to protect against hazards in transmitting the power. At this stage, transformers step-down the voltage to a medium level at which it can be safely distributed in populated areas. In the final stage of the process, distribution transformers step-down the voltage again to a level usable by end-users and metering systems measure and record the locations and amounts of power transmitted.

We provide our customers with: turn-key transmission systems and distribution substations; discrete products and equipment for integration by our customers into larger systems; information technology systems and consulting services relating to the design and construction of power transmission and distribution networks. We offer the following solutions, products and services, presented roughly in the order in which they are used in a power transmission and distribution network. Our internal divisions are organized around the following products:

power systems control equipment and information technology systems, including computerized power management systems used to operate power transmission networks, determine customer needs and regulate the flow of power from power plants to the distribution network (offered through our Energy Automation division);

transformers including both the power transformers used at the beginning of the transmission process to step-up the voltage of the power generated by power plants to a voltage that can be carried efficiently on the power network, and the distribution transformers and their components used at the end of the distribution process to step-down power from high voltage to lower voltage levels for the end-user;

high voltage products and ready-to-use systems, in both alternating and direct current, used in the physical transmission of power from power plants to the distribution network before the voltage is stepped-down for distribution in populated areas, including ready-to-operate indoor and outdoor high voltage substations and the switchgear and protection systems required to control the flow of power and prevent damage to the power transmission network;

protection and substation control systems including equipment and systems used at power distribution network substations, such as relays and computerized protection and control equipment (offered through our Energy Automation division); and

medium voltage equipment including circuit breakers and distribution switchgear systems and components that regulate the flow of power on the distribution network before it is stepped-down to a low voltage level for the end-user.

In addition to our equipment and systems, we offer a growing range of services and integrated solutions for various stages in the power transmission and distribution process. These include: technical support and maintenance services and, to an increasing extent, outsourcing projects and operations; consulting relating to the planning, design and optimization of power transmission and distribution networks; information technology services and solutions to support customer management and energy trading; training programs; and metering services for electricity, gas and heat. We also provide analytical and consulting services, as well as equipment and systems, in the power quality field that are designed to improve the availability and reliability of power transmitted by analyzing and reducing the causes of power fluctuations and failures. Power quality systems and services have become increasingly important with the growing use of sensitive computerized, electronic and other equipment requiring continuous power with very little fluctuation in voltage or frequency. Our PTD Services division aims specifically at responding to our customers increasing demands for these services.

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Our power transmission and distribution customers are primarily power utilities and independent power distributors. Due to ongoing deregulation in the power industry, our customer base continues to diversify from one formerly composed almost exclusively of power utilities responsible for all stages in power transmission and distribution to one that includes an increasing number of independent system operators and power distributors supplying services at different points of the power transmission and distribution network. We have further increased our sales to industrial customers, providing them with equipment and systems for power networks associated with manufacturing facilities. We distribute our systems and components through our sales force in Germany and through dedicated personnel in the regional Siemens sales units worldwide.

We generate our revenue from project business, as well as from sales of systems, components and services. In fiscal 2007, we received an order of approximately 0.7 billion from the Qatar General Electricity & Water Corporation. Aside from this order, a relatively small portion of our project business involves construction of large power networks and other projects with values of more than 50 million. Although the order volume from larger projects increased compared to the previous fiscal year, in fiscal 2007, still most of our business was generated from smaller projects and sales of systems and components to a variety of smaller customers.

The following chart shows the geographic distribution of PTD s external revenue in fiscal 2007:

Our revenue are evenly distributed throughout the world with large portions in Europe, Asia and the Americas. While regions in the developing world represent growth markets for power transmission and distribution products and systems, our activities there can also expose us to risks associated with economic, financial and political disruptions that could result in lower demand or affect our customers abilities to pay.

Competition in our markets comes primarily from a small group of large, multinational companies offering a wide variety of products, systems and services, although a few notable specialists maintain strong positions in certain niches. Globally, our most significant competitors include ABB, the Areva Group and to some extent Schneider, as well as General Electric. In some of our markets, increasing international competition is emerging from low-cost countries such as China and India. We are party to several joint ventures in China, our largest single market.

The large size of some of our projects occasionally exposes us to risks related to our technical performance, to a customer or to a country. For additional information with respect to our long-term contracts, see Item 3: Key Information Risk Factors.

Healthcare

Medical Solutions (Med)

	Year ended September 30, 2007
Total revenue	9.851 billion
External revenue	9.798 billion
External revenue as percentage of Siemens revenue	13.52%
Group profit	1.323 billion

Med develops, manufactures and markets diagnostic and therapeutic systems, devices and consumables, as well as information technology systems for clinical and administrative purposes. We provide technical maintenance, professional and consulting services. We also work with Siemens Financial Services to provide financing and related services to our customers. We are one of the leading companies in our field.

Our offerings include:

medical imaging systems, representing a full range of systems including x-ray, computed tomography, magnetic resonance, molecular imaging and ultrasound, as well as related computer-based workstations enabling the health care professional to retrieve and process relevant information. Our imaging systems are used to generate morphological and functional images of the human body. This information is used both for diagnostic purposes and in preparation for potential treatment, including interventional and minimally-invasive procedures;

information technology systems, which are used to digitally store, retrieve and transmit medical images and other clinical and administrative information, facilitating efficient workflows in health care environments;

oncology care systems, including linear accelerators, which are used for cancer treatment;

hearing aids and related products and supplies;

in-vitro diagnostics, representing a full range of systems for immunodiagnostics, clinical chemistry, hematology, point-of-care testing, molecular diagnostics (i.e. testing for nucleic acids) and clinical laboratory automation solutions. In-vitro diagnostics is based on the analysis of bodily fluids such as blood or urine, and supplies vital information for the detection and management of disease, and also for an individual patient s risk assessment. We entered the in-vitro diagnostics business through the acquisitions of Diagnostic Products Corporation (DPC) for approximately U.S.$1.9 billion (1.4 billion), which closed in fiscal 2006, and the Diagnostics division of Bayer AG for 4.5 billion, which closed in the first quarter of fiscal 2007. For additional information on these acquisitions, see Notes to Consolidated Financial Statements; and

electromedical systems, which are primarily used in critical care situations and during surgery for the purpose of patient transport, monitoring vital functions via body sensors, supporting breathing and administering anesthetic agents. Our product portfolio also includes respiratory machines designed for systems for intensive neonatal care and home care. We provide such electromedical systems primarily through our joint venture Dräger Medical of Lübeck, Germany, in which we hold a 25% share as of September 30, 2007. In January 2007, we sold a 10%-share of the joint venture to Drägerwerke AG for a sales price of 110 million and announced our plans to acquire a 2.5% share of Drägerwerke AG.

In July 2007, Siemens signed an agreement with Dade Behring, Inc. (Dade Behring), USA, to acquire all issued and outstanding shares of common stock of Dade Behring by submitting a cash tender offer of U.S.$77 per share. Dade Behring is a leading manufacturer and distributor of diagnostic products and services to clinical laboratories, supplying fully integrated testing systems for clinical chemistry and immunodiagnostics. Dade Behring also has a leading market position in hemostasis and in automated microbiology solutions. The aggregate consideration, including the assumption of debt, amounts to approximately U.S.$7 billion (approximately 5 billion). The transaction closed at the beginning of November 2007. For additional information, see Notes to Consolidated Financial Statements. With our recent acquisitions, we formed the world s first integrated diagnostics company, with a leading market position in in-vitro diagnostics, medical imaging (in-vivo diagnostics) and healthcare IT.

Our customers include health care providers such as hospital groups and individual hospitals, group and individual medical practices, reference and physician office laboratories and outpatient clinics. We typically sell the majority of our product spectrum through direct sales persons who are located in the individual countries where our products are sold and supported by product specialists. In addition, in some countries we sell primarily low-end products (such as low-end ultrasound and low-end x-ray) through dealers. A small portion of our revenue involve delivery of certain of our products and components to competitors on an OEM basis. Our products are serviced primarily through our own dedicated personnel.

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We have a strong worldwide presence. The following chart shows the geographic distribution of Med s external revenue in fiscal 2007:

We have research and development and OEM cooperation agreements with various companies, including with Bruker, in the field of magnetic resonance imaging; Toshiba, in the field of ultrasound and magnetic resonance imaging; and Matsushita, for low- and mid-range ultrasound systems. We also have joint ventures with Philips and Thales, to manufacture flat panel detectors for medical imaging; and with Mochida Pharmaceutical Co. Ltd., in the field of ultrasound in Japan.

Our principal competitors in medical imaging are General Electric, Philips, Toshiba, Hitachi and Hologic. Other competitors include McKesson and Cerner, for information technology systems; Phonak, GN Resound (a subsidiary of Great Nordic), William Demant and Starkey, for hearing aids; Elekta and Varian Medical, for oncology care systems; and Roche, Abbott and Beckman Coulter, for in-vitro diagnostics. The trend toward consolidation in our industry continues. In May 2007, Hologic announced a merger agreement with Cytyc Corporation, a diagnostics and medical device company focusing on women s health; in June 2007 Roche launched a tender offer for Ventana Medical Systems, an in-vitro diagnostics company with a focus on anatomic pathology. Competition among the leading companies in our field is strong, including with respect to price.

Siemens IT Solutions and Services (SIS)

	Year ended September 30, 2007
Total revenue	5.360 billion
External revenue	3.988 billion
External revenue as percentage of Siemens revenue	5.50%
Group profit	252 million

SIS was formed in fiscal 2007 through the previously announced pooling of the former Siemens Business Services (SBS) Group and the four software development entities Program and System Engineering (PSE), Siemens Information Systems Ltd. (SISL), Development Innovation and Projects (DIP) and the Business Innovation Center (BIC). SIS has been a segment in our external reporting structure since April 1, 2007. In terms of relative importance within SIS, the activities of the former Group SBS accounted for approximately 90% of the external revenue of SIS in fiscal 2007.

SIS designs, builds and operates both discrete and large scale information and communications systems. SIS offers comprehensive information technology and communications solutions from a single source. While mostly performing operations related services, SIS creates solutions for customers by drawing on our management consulting resources to redesign customer processes; on our professional services to integrate, upgrade, build and install information technology systems; and on our operational capabilities to run these systems on an ongoing basis.

SIS offers its solutions and services to external customers in the following sectors:

The manufacturing industry, including automotive, discrete manufacturing, process industry and chemical/pharmaceutical;

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Telecommunications and media (including broadcasting);

The public sector, including defense & intelligence, public security, employment services and public administration;

Service industries, including financial services and software;

Healthcare;

Transportation/Airports; and

Utilities

On a combined basis, other Siemens Groups are the largest customer of SIS with a share of 26% in total SIS revenue in fiscal 2007.

The types of services offered by SIS include:

project-oriented consulting, design and implementation services, such as selecting, adapting and introducing new solutions to support business processes, as well as integration of systems and enterprise applications.

outsourcing services (full-scale IT operations spanning hosting, call center, network and desktop services) as well as operation of selected business processes (e.g. financial services back-office operations).

software development such as design and implementation of software solutions for Siemens Groups.

SIS solutions and services are designed to support the following core processes of our customers:

customer relationship management, to assist businesses in aligning their organizations to better serve the needs and requirements of their customers;

business information management, to improve our customers business processes, including services and solutions for business information, document and product data management;

supply chain management, to facilitate the efficient interplay of all of a business operational processes with those of its suppliers;

enterprise resource management, to optimize a customer s internal management and production processes; and

e-commerce systems and solutions in a range of industries, to allow customers to offer a variety of Internet-based services through design and implementation of software for communications and transactions applications.

Most of SIS consulting and design services involve information technology and communications systems that we also build and operate. At the same time, SIS also designs and builds systems and provides services using the software of several companies with which it has established relationships, such as SAP, Microsoft, Oracle and Computer Associates.

The largest customers of SIS in fiscal 2007 included Nokia Siemens Networks (NSN), the BBC, Deutsche Bank, National Savings & Investment and RAG AG.

We have our own sales and delivery force. We operate worldwide in more than 40 countries.

The following chart shows the geographic distribution of SIS external revenue in fiscal 2007:

Our most significant competitors vary by region and type of service. A few are global, full-service IT providers such as IBM s Global Services division, EDS, Accenture, CSC and HP Services. One of our competitors that focuses more narrowly on specific regions or customers is T-Systems, a unit of Deutsche Telekom, in Germany. As a service business, SIS requires strong local presences and the ability to build close customer relationships and provide customized solutions while achieving economies of scale and successfully managing risks in large projects.

The IT services market has recovered but continues to be highly competitive; in fiscal 2007 ongoing commoditization of the IT services industry and the entry of new players such as Indian companies into the European market kept price pressure and the need for cost reduction at a high level, and we expect these trends to continue. According to Gartner, Inc., the IT service market is further consolidating.

We enter into large scale, and sometimes long-term projects. The large size of some of these projects, as well as the long-term frame contracts with our largest customers occasionally expose us to technical performance, customer- or country-related risks. Risks associated with long-term outsourcing contracts remain a management priority at SIS. For additional information with respect to our long-term contracts, see Item 3: Key Information Risk Factors.

Strategic Equity Investments (SEI)

SEI was created as of October 1, 2006 and includes the following three strategic equity investments accounted for under the equity method:

Nokia Siemens Networks BV (NSN): NSN began operations in the third quarter of fiscal 2007 and includes the carrier-related operations of Siemens and the Networks Business Group of Nokia. NSN is a leading supplier in the telecommunications infrastructure industry.

BSH Bosch und Siemens Hausgeräte GmbH (BSH): is a leading manufacturer of household appliances, offering an extensive range of innovative products tailored to customer needs and global megatrends alike. BSH was founded as a joint venture in 1967 between Robert Bosch GmbH and Siemens. Prior to fiscal 2007, BSH was included in Other Operations.

Fujitsu Siemens Computers (Holding) BV (FSC): is one of the Europe s leading IT manufacturer, offering a broad array of innovative products, services and infrastructure solutions. FSC was established as a joint venture holding company by Fujitsu Limited and Siemens in 1999. In fiscal 2006, the FSC acquired the Product Related Services (PRS), the service and maintenance business of the former Siemens Business Services (SBS). Prior to fiscal 2007, FSC was included in Other Operations.

For additional information on NSN, BSH and FSC, see Item 5: Operating and Financial Review and Prospects Fiscal 2007 Compared to Fiscal 2006 Segment Information Analysis Strategic equity Investments, Item 7: Major Shareholders and Related Party Transactions Related Party Transactions, as well as Notes to Consolidated Financial Statements.

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Financing and Real Estate

Siemens Financial Services (SFS)

	Year ended September 30, 2007
Total assets	8.912 billion
Total assets as percentage of Siemens assets	9.73%
Income before income taxes	329 million

SFS provides a variety of financial services and products both to third parties and, on arm s-length terms, to other Siemens business Groups and their customers. SFS is organized in eight business divisions, which can be classified as either capital businesses (consisting of the Equipment Finance Europe/APAC division, the Equipment Finance U.S. division, the Working Capital Finance division and the Equity division) or fee businesses (consisting of the Project & Export Finance, Investment Management, Insurance and Treasury & Financing Services divisions). The capital businesses offer vendor programs to external manufacturers and support Siemens sales with leasing and lending programs. The capital businesses also provide receivable financing to Siemens groups and external parties and makes equity investments in infrastructure projects where Siemens is a principal supplier. The fee businesses support and advise Siemens concerning financial risk management and investment management and provide an important contribution to Siemens by arranging financing for Siemens projects. Most of our fee business is generated internally (i.e. with other Siemens Groups as the customer), and most of our capital business is generated externally. Within the equipment finance business, which is our largest capital business, we use internal vendors (the Siemens group), but also external vendors and other indirect origination channels as intermediators to generate leasing and lending business.

Total assets declined from 10.543 billion to 8.912 billion at September 30, 2007 compared to the end of fiscal 2006, due to a significant reduction in accounts receivable related to the carve-outs of SV and carrier activities that were transferred into Nokia Siemens Networks. Lease receivables and equipment leased under operating leases (together accounting for approximately 63% of our assets) were our principal assets at September 30, 2007. The main sources of our earnings are interest income, dividends and fee income, with the latter stemming primarily from our internal advisory businesses. SFS acts according to banking industry standards in the international financial markets in its transactions with both Siemens and third parties.

Equipment Finance Europe/APAC and Equipment Finance U.S. Our principal product in these divisions is equipment lease financing, where we typically purchase equipment supplied by various Siemens Groups or third-party manufacturers and lease it to the customer for a specified term, generally with an option for the customer to purchase the equipment or renew the lease at the end of the term. Finance leases account for the largest portion of our leasing business (approximately 80% of the total book value of our leased assets at September 30, 2007). We also offer our clients services complementary to our leasing business, including services relating to the management of their leased equipment base and product upgrade services.

These divisions finance both Siemens and third-party equipment. The associated Siemens products are delivered primarily by Med, SIS and SBT. The Equipment Finance Europe/APAC division increased its external business with flow and small ticket leasing products, which involve leases of relatively small amounts and with a high level of automation and standardized procedures for such third-party products as computers and office equipment.

Working capital finance. Through this division, we purchase, without recourse, receivables from third parties and from other Siemens Groups. The selling companies remain responsible for collection and documentation. Our portfolio consists primarily of trade receivables. Centralizing a portion of the Siemens Groups receivables risk allows Siemens to more effectively manage its overall receivables exposure. Furthermore, this division offers asset-based lending solutions.

Equity. This division structures financing for infrastructure projects for which Siemens provides capital goods and participates in those projects as an equity investor. At September 30, 2007, the equity investment in these projects amounted to approximately 3% of the total assets of SFS and 0.3% of the total assets of Siemens. In recent

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years, the Equity division has expanded its strategic focus from power to healthcare and airports. Effective October 1, 2007, Siemens Venture Capital will be integrated into the Equity division.

Project and Export Financing. This division advises other Siemens Groups on project and sales financing transactions. We have a global network of established contacts with multi-lateral financial institutions, such as the World Bank and the Asian Development Bank, as well as with national development and export banks and export credit agencies, such as Hermes in Germany and Export-Import Bank in the United States. By offering our services to other Siemens Groups, we ensure that they benefit from our in-house know-how and market presence. We also provide advice, management and documentation services in connection with guarantees issued by Siemens, related principally to certain long-term contracts of the Operating Groups.

Treasury and Financing Services. This division provides services to Siemens Corporate Treasury, including cash management and payment (including inter-company payments) and capital-market financing. In addition, we pool and manage interest rate and currency risk exposure of the Operating Groups and, in the name and for the account of Siemens Corporate Treasury, enter into derivative financial instruments with third-party financial institutions to offset pooled exposures. Derivative activities in the name of Siemens Corporate Treasury are described under Item 11: Quantitative and Qualitative Disclosure About Market Risk. We also offer consulting services with respect to treasury activities to third-party customers.

Investment Management. This division manages pension assets for Siemens and other institutional clients and mutual funds for employees in Germany and Austria.

Effective October 1, 2007, the Treasury and Financing Services division and the Investment Management division will be merged to form a new division called Treasury & Investment Management.

Insurance. This division acts as a broker and provides Siemens Groups with liability, property, marine and project insurance brokerage coverage via third-party insurers. We provide these services not only to Siemens business Groups, but also to external customers. We also act as an insurance agent in offering private insurance policies to Siemens employees. With these employee-related activities, Insurance also acts as agent for fund and mortgage based products.

SFS main sources of risk are our external customers credit risk and the risk associated with SFS equity portfolio. Interest rate and currency exposures are typically matched. The funding for SFS is provided by Siemens Corporate Treasury.

Our competition mainly includes captive finance companies, independent commercial finance companies and leasing/receivables financing operations related to banks as well as asset management companies. Particularly in the equipment finance business, competition consists of many local players and differs from country to country. However, there are a few international competitors such as General Electric Commercial Finance, CIT Group, Societe Generale Equipment Finance and De Lage Landen. Lately, competition from these international players has significantly increased, especially in the area of small ticket business.

Siemens Real Estate (SRE)

	Year ended September 30, 2007
Total revenue	1.686 billion

External revenue as percentage of Siemens revenue	0.66%
Income before income taxes	228 million

SRE offers the operating Groups of Siemens a range of services encompassing real estate development, real estate disposal and asset management, as well as lease and services management. The overall goal of our activities is to manage Siemens real estate needs in a professional and cost effective way.

Asset Management is responsible for the active management of SRE s real estate portfolio. It provides property management and leasing services to Siemens Groups and, to a limited extent, to third-party lessees. These services include the provision of owned and leased space, billing and collecting lease payments and related charges such as

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utilities and providing other general services of a landlord. Furthermore, it arranges facilities services to Siemens Groups and external tenants on an arm s-length contract basis. The services arranged include heating and cooling where applicable, cleaning, maintenance, security, catering and a variety of other services. Generally these facility management services are subcontracted with third-party suppliers, thereby leveraging the purchasing power of the entire Siemens group.

Development & Construction is responsible for developing building rights, feasibility studies, masterplans and corporate architecture, and for coordinating construction of marketable office buildings, as well as providing consultancy for factories.

Purchase & Sales is responsible for the sale of land, buildings and other real estate property rights, as well as for the purchase of real estate.

In addition to the foregoing, SRE performs the Siemens wide governance role for all real estate related matters by providing support in real estate decision-making, portfolio analysis, economic analysis, development of financing alternatives, market research, risk analysis and valuation and similar services, including preparing recommendations for divestitures.

The book value of Siemens worldwide land and buildings, at September 30, 2007, amounted to approximately 4.465 billion, of which approximately half was managed by SRE. The following table sets forth the key balance sheet and statistical data for SRE:

SRE Balance Sheet and Statistical Data

	At September 30, 2007	2006
	(and square meters in millions)	
Total assets (in euros)	3,091	3,221
Real estate assets under management (in euros)	2,478	2,733
Total site area (in square meters)	16.9	19.5
Total building area (in square meters)	9.3	9.9

Over the past few years, operational adjustments by some Siemens Groups resulted in the consolidation of Siemens locations and the divestment by SRE of surplus property. We will continue to divest surplus property over the next years.

Siemens VDO Automotive (SV)

In July 2007, Siemens signed an agreement with Continental AG, Hanover, Germany to sell the entire SV activities for a purchase price of approximately 11.4 billion. The closing of the transaction is subject to receipt of regulatory approvals and other customary closing conditions and is expected in the current calendar year. The assets and liabilities of SV are presented as held for disposal on the Consolidated Balance Sheets until the sale is completed, and the historical results of SV will be reported as discontinued operations in the Consolidated Statements of Income for all periods presented. For additional information with respect to the sale of SV, see Notes to Consolidated Financial Statements.

SV designs, manufactures and sells integrated electrical, electronic and electromechanical systems and modules and individual components used in automotive applications. Our product range includes components and systems used in automobile powertrains, body electronic systems, safety and chassis systems, electric motor drives, information and cockpit systems, and driver information, communication and multimedia systems.

In fiscal 2007, we offered our systems and products in the following four divisions:

Powertrain, including components, modules and systems for engine and fuel management for gasoline and diesel engines, control units and components for hybrid electric vehicles and other alternative drives (e.g. gas and ethanol), transmission control units, sensors, actuators and fuel supply systems;

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Chassis & Safety, including active and passive safety electronics systems, electronics for steering and braking (e.g. electrical steering and electronic wedge brake), electric motor drives for windows and sunroofs, for heating, ventilation and engine cooling systems and for electronic braking systems;

Interior Electronics & Infotainment, including complete cockpit systems and instrument clusters, human machine interface and head-up displays, car audio, navigation, telematics and high-end multimedia systems, as well as interior controls, e.g. for keyless entry, climate and seat systems; and

Commercial Vehicles, including cockpit instruments and other solutions for the driver s workplace, sensors and control units for engine management, tachographs and on-board units for tolling and other telematic products.

Most of our customers are large automobile manufacturers, including four of the world s five largest automobile manufacturers. We also sell components to suppliers of complete automotive systems and modules. Our car manufacturer customers frequently contract a supplier to provide a system or set of components for the production run of a particular car model or engine line. In fiscal 2007, our ten largest customers together accounted for more than 80% of our total sales.

As in past years, base materials and components accounted for about half of the total cost of our products in fiscal 2007. We rely on a few suppliers to provide us with most of our semiconductors, other electronic components and some other base materials and components. These suppliers include Infineon, Philips and ST Microelectronics and Freescale for semiconductors; and Tyco for wire housings and connectors.

For the last several years, automobile manufacturers and their suppliers have been going through a period of significant change and consolidation, and we expect this trend to continue. Manufacturers, in an effort to achieve cost efficiencies and ease of production, are using more pre-assembled systems and modules instead of individual components. Systems and modules integrate all of the components needed for major automotive subsystems, such as the cockpit or vehicle safety systems. The trend toward greater use of modules and systems has increased pressure on suppliers of individual components and smaller companies to combine or form alliances, resulting especially in growing convergence of electronics and mechanical component suppliers and making the industry more capital intensive.

In fiscal 2007, the worldwide mass market was again characterized by low growth rates. Automobile production levels either remained constant or declined in the Americas and Western Europe. In the Asia-Pacific region, growth continued at a lesser rate, influenced particularly by Chinese demand. The truck market is still growing. Globalization and the opening of markets to competition continue to put downward pressure on prices. Customers that incorporate our products into their own equipment make ever-greater demands on both our performance and the quality of our products. In the current market environment, many automobile manufacturers extract price and other concessions from their suppliers, including SV.

We are a first-tier supplier to automobile manufacturers in North America, South America and Asia. Our most significant competitors are generalists with a broad product range, systems integration capabilities and global presence. These include Bosch, Toyota s Denso and the independent, former in-house suppliers Visteon and Delphi, each of which is significantly larger than we are. Moreover, in Europe and Asia, Denso, Visteon and Delphi continue to be aggressive competitors and attempt to gain market share outside their home countries. We face increased competition from consumer electronics and IT firms that are increasingly active in the area of automotive electronics and from certain Japanese firms. Competition from low-cost suppliers from Asia and Eastern Europe is increasing in commodity products, such as electrical motors.

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Employees and Labor Relations

The following tables show the division of our employees by business Group and geographic region as of September 30 for each of the years shown:

Employees by Business Group(1)

	As of September 30, 2007	2006	2005
	(in thousands)		
Siemens IT Solutions and Services	40	34	39
Automation and Drives	85	71	64
Industrial Solutions and Services	37	36	36
Siemens Building Technologies	29	29	28
Power Generation	40	36	34
Power Transmission and Distribution	31	28	26
Transportation Systems	19	19	18
Medical Solutions	43	36	33
Osram	41	40	38
Siemens Financial Services	2	2	2
Siemens Real Estate	2	2	2
Other(2)	29	38	39
Total	398	371	359

(1) Continuing Operations.

(2) Includes employees in corporate functions and services and business units not allocated to any business Group.

Employees by Geographic Region*

	As of September 30, 2007	2006	2005
	(in thousands)		
Germany	126	123	125
Europe (other than Germany)	105	101	99
Americas	92	83	81
Asia-Pacific	65	55	45
Africa, Near and Middle East, CIS	10	9	9
Total	398	371	359

* Continuing operations.

A significant percentage of our manufacturing employees, especially in Germany, are covered by collective bargaining agreements determining working hours and other conditions of employment, and are represented by works councils. Works councils have numerous rights to notification and of codetermination in personnel, social and economic matters. Under the German Works Constitution Act (*Betriebsverfassungsgesetz*), works councils are required to be notified in advance of any proposed employee termination, they must confirm hiring and relocations and similar matters, and they have a right to codetermine social matters such as work schedules and rules of conduct. Management considers its relations with the works councils to be good.

During the last three years, we have not experienced any major labor disputes resulting in work stoppages.

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Environmental Matters

In each of the jurisdictions in which we operate, Siemens is subject to national and local environmental and health and safety laws and regulations that affect our operations, facilities, products, and, in particular, our former nuclear power generation business. These laws and regulations impose limitations on the discharge of pollutants into the air, soil and water, establish standards for the treatment, storage and disposal of solid and hazardous waste. Whenever necessary, remediation and clean up measures are implemented and budgeted accordingly. Because of our commitments to protecting the environment and conservation and because we recognize that leadership in environmental protection is an important competitive factor in the marketplace, we have incurred significant costs to comply with these laws and regulations and we expect to continue to incur significant compliance costs in the future.

In 1994, we closed a site in Hanau, Germany, that we had used for the production of uranium and mixed-oxide fuel elements. A smaller related site in Karlstein, where we operated a nuclear research and service center, was closed in 1989. We are in the process of cleaning up both facilities in accordance with the German Atomic Energy Act. We have developed a plan to decommission the facilities that involves the following steps: clean-out, decontamination and disassembly of equipment and installations, decontamination of the facilities and buildings, sorting of radioactive materials and intermediate and final storage of radioactive waste. This process will be supported by ongoing engineering studies and radioactive sampling under the supervision of German federal and state authorities. The German Atomic Energy Act requires that radioactive waste be transported to a government-developed storage facility, which, in our case, we do not expect to be available until 2030. We expect that the process of decontamination, disassembly and sorting of radioactive waste will continue until 2011. We will be responsible for storing the material until the government-developed storage facility is available. With respect to the Hanau facility, the process of setting up intermediate storage for radioactive waste has neared completion; on September 21, 2006 we received official notification from the competent authorities that the Hanau facility has been released from the scope of application of the German Atomic Energy Act and that its further use is unrestricted under that Act. However, the State of Hesse still requires us to monitor the ground water until uranium levels consistently meet targets set by the State. The ultimate costs of this project will depend, in part, on where the government-developed storage facility is located and when it becomes available. We have an accrual of 597 million at September 30, 2007, with respect to this matter. This accrual is based on a number of significant estimates and assumptions as to the ultimate costs of this project. We evaluated this amount to be adequate to cover the present value of the costs associated with this project, based on current estimates. For additional information, see Notes to Consolidated Financial Statements.

Two Directives of the European Parliament and of the Council on Waste Electrical and Electronic Equipment (2002/96/EC WEEE) and on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (2002/95/EC RoHS) have an impact on some of our products. The WEEE-Directive regulates the collection, financing of the collection, reuse and recycling of waste from many electrical and electronic products, and the RoHS-Directive bans the use in electrical and electronic equipment of certain hazardous substances. We are complying with the required collection schemes and financing of the collection of waste electrical and electronic equipment from end users in accordance with the WEEE-Directive and with the substance bans of the RoHS-Directive. Both directives are currently under review by the EU-Commission, which may lead to changes in the scope of the WEEE-Directive and exemptions currently granted by the RoHS-Directive that are not yet known in detail. Restrictions on the use of certain substances comparable to those of the RoHS-Directive are under discussion in several other states, such as the U.S., Australia, Argentina, China and South Korea. The Regulation (EC) No 1907/2006 of the European Parliament and of the Council of December 18, 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), which entered into force in part on June 1, 2007, has a certain impact on our business. We do not expect the existing and the upcoming product related regulations (REACH, WEEE, RoHS and similar) to have a material adverse affect on our results of operations or financial condition.

A significant number of our production sites are affected by the EU-Directive (2004/35/CE) addressing the prevention and remediation of environmental damage. In addition to the previously applicable remediation measures, the directive requires remediation for damage to protected species and natural habitats. However, the

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directive applies for damages caused by emissions made after 2007. We have obtained insurance coverage which is available in the market for the increased risks.

It is our policy to comply with environmental requirements and to provide workplaces for employees that are safe, environmentally sound, and that do not adversely affect the health or environment of their communities. We have obtained all material environmental permits required for our operations and all material environmental authorizations required for our products. In fiscal 2007, as in previous years, we conducted an audit of our environmental compliance, and on that basis we believe that we are in substantial compliance with all environmental and health and safety laws and regulations. In principle, however, there is a risk that we may incur expenditures significantly in excess of our expectations to cover environmental liabilities, to maintain compliance with current or future environmental and health and safety laws and regulations and/or to undertake any necessary remediation.

Property

Siemens and its consolidated subsidiaries have, as of September 30, 2007, approximately 253 production and manufacturing facilities (more than 50% production space ratio) throughout the world. Approximately 97 of these are located in Europe, with approximately 44 in Germany, and approximately 117 are located in the Americas, with approximately 92 in the United States. We also have 38 facilities in Asia. Siemens also owns or leases other properties including office buildings, warehouses, research and development facilities and sales offices in approximately 190 countries.

Siemens principal executive offices are located in Munich, Germany.

None of our properties in Germany is subject to mortgages or other security interests granted to secure indebtedness to financial institutions. We have granted security interests in other jurisdictions.

We believe that our current facilities are in good condition and adequate to meet the requirements of our present and foreseeable future operations.

Intellectual Property

Siemens as a whole has several thousand patents and licenses, and research and development is a priority on a Siemens-wide and business Group basis. For a discussion of the main focus of our current research and development efforts of each business Group, see Item 5: Operating and Financial Review and Prospects Business Overview Research and Development. Siemens also has many thousand trademark registrations worldwide. However, neither the Company, nor any of our business Groups, are dependent on any single patent, license or trademark or any group of related patents, licenses or trademarks.

Legal Proceedings

Public prosecutors and other government authorities in jurisdictions around the world are conducting investigations of Siemens and certain of our current and former employees regarding allegations of public corruption, including criminal breaches of fiduciary duty including embezzlement, as well as bribery, money laundering and tax evasion, among others. These investigations involve allegations of corruption at a number of Siemens business Groups.

The Munich public prosecutor continues to conduct an investigation of certain current and former employees of the Company on suspicion of criminal breaches of fiduciary duty including embezzlement, as well as bribery and tax evasion. To date, the Munich prosecutor has conducted searches of Company premises and private homes and several arrest warrants have been issued for current and former employees, including former members of senior management, who are or were associated with the former Com Group and the Company. In addition, the Munich prosecutor has recently sought and received information from two German subsidiaries of the Company in connection with an investigation of allegations of criminal breach of fiduciary duty against a former employee and unnamed others.

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On October 4, 2007, pursuant to the application of the Munich prosecutor, the Munich district court imposed a fine of 201 million on Siemens. According to the court s decision, a former manager of the former Com Group committed bribery of foreign public officials in Russia, Nigeria and Libya in 77 cases during the period from 2001 to 2004 for the purpose of obtaining contracts on behalf of the Company, whereby he acted in concert with others. In determining the fine, the court based its decision on unlawfully obtained economic advantages in the amount of at least 200 million which the court determined the Company had derived from illegal acts of the former employee, to which an additional fine in the amount of 1 million was added.

The decision of the Munich district court and the settlement (*tatsächliche Verständigung*) entered into the same day with the German tax authorities, which is described in Item 5: Operating and Financial Review and Prospects Financial Impact of Compliance Matters , conclude the German investigations into illegal conduct and tax violations only as they relate to Siemens AG and only as to the former Com Group.

As previously reported, there are ongoing investigations in Switzerland, Italy, and Greece. These investigations relate to allegations that certain current and former employees of the former Com Group opened slush fund accounts abroad and operated a system to misappropriate funds from the Company and, specifically, that these individuals siphoned off money from Com via off-shore companies and their own accounts in Switzerland and Liechtenstein. The Company has learned that Liechtenstein prosecutors have transferred their investigation to Swiss and Munich prosecutors.

As previously reported, Milan and Darmstadt prosecutors have been investigating allegations that former Siemens employees provided improper benefits to former employees of Enel in connection with Enel contracts. In Italy, legal proceedings against two former employees ended when the *patteggiamento* (plea bargaining procedure without the admission of guilt or responsibility) by the charged employees and Siemens AG entered into force in November 2006. Prosecutors in Darmstadt brought charges against two other former employees not covered by the *patteggiamento* . In May 2007, the Regional Court of Darmstadt sentenced one former employee to two years in prison, suspended on probation, on counts of commercial bribery and embezzlement. Another former employee was sentenced to nine months in prison, suspended on probation, on counts of aiding and abetting commercial bribery. In connection with these sentences, Siemens AG was ordered to disgorge 38 million of profits. The prosecutors and both defendants have appealed the decision of the Regional Court of Darmstadt. Siemens AG has also appealed the decision with respect to the disgorgement.

As previously reported, in 2004 the public prosecutor in Wuppertal initiated an investigation against Siemens employees regarding allegations that they participated in bribery related to the awarding of an EU contract for the refurbishment of a power plant in Serbia in 2002. In August 2007, the public prosecutor conducted searches of the premises of the PG Group in Erlangen, Offenbach and Karlsruhe in relation to this investigation. The investigation is ongoing.

In addition, there is a significant number of ongoing investigations into allegations of public corruption involving the Company, certain of our current and former employees or projects in which the Company is involved in a number of jurisdictions around the world, including China, Hungary, Indonesia, Israel, Italy, Nigeria, Norway and Russia, among others. Specific examples include the following:

> There are currently numerous public corruption-related governmental investigations in China, involving several divisions of Siemens Ltd. China, primarily Med, but also A&D and SIS. The investigations have been initiated by prosecutors in several regions and provinces, including Guangdong, Jilin, Xi an, Wuxi, Shanghai, Ting Hu, Shandong, Hunan, and Guiyang.

Siemens Zrt. Hungary and certain of its employees are being investigated by Hungarian authorities in connection with allegations concerning suspicious payments in connection with consulting agreements with a variety of shell corporations and bribery relating to the awarding of a contract for the delivery of communication equipment to the Hungarian Armed Forces.

The public prosecutor in Kalimantan Province, Indonesia, has charged the head of the Med division of Siemens PT Indonesia in connection with allegations that he participated in bribery, fraud, and overcharging related to the awarding of a contract for the delivery of medical equipment to a hospital in 2003.

Authorities in Nigeria have conducted a search of Siemens premises in connection with an investigation into alleged illegal payments.

The Norwegian government is investigating allegations of bribery and overcharging of the Norwegian Department of Defense related to the awarding of a contract for the delivery of communication equipment in 2001.

The public prosecutor in Milan is investigating allegations as to whether two employees of Siemens S.p.A. made illegal payments to employees of the state-owned gas and power group ENI.

As previously reported, the U.S. Department of Justice (DOJ) is conducting an investigation of possible criminal violations of U.S. law by Siemens in connection with the matters described above and other allegations of corruption. During the second quarter of fiscal 2007, Siemens was advised that the U.S. Securities and Exchange Commission s (SEC) enforcement division had converted its informal inquiry into these matters into a formal investigation. The Company is cooperating with these investigations.

The SEC and the DOJ are also investigating possible violations of U.S. law by Siemens in connection with the Oil-for-Food Program. The Company is cooperating with the SEC and DOJ. A French investigating magistrate commenced a preliminary investigation regarding the participation of French companies, including Siemens France S.A.S., in the Oil-for-Food Program. German prosecutors also began an investigation in this matter and conducted searches of Company premises and private homes in Erlangen and Berlin in August 2007. Siemens is cooperating with the authorities in France and Germany.

As a result of the above described matters and as a part of its policy of cooperation, Siemens contacted the World Bank and offered to assist the World Bank in any matter that might be of interest to the World Bank. Since that time, Siemens has been in contact with the World Bank Department of Institutional Integrity and intends to continue its policy of cooperation.

In February 2007, the Company announced that public prosecutors in Nuremberg are conducting an investigation of certain current and former employees of the Company on suspicion of criminal breach of fiduciary duties against Siemens, tax evasion and a violation of the German Works Council Constitution Act (*Betriebsverfassungsgesetz*). The investigation relates to an agreement entered into by Siemens with an entity controlled by the former head of the independent employee association AUB (*Arbeitsgemeinschaft Unabhängiger Betriebsangehöriger*). The prosecutors are investigating payments made during the period 2001 to 2006 for which Siemens may not have received commensurate services in return. The former head of AUB was arrested in February 2007. Since February, searches have been conducted at several Siemens AG premises and private homes and an arrest warrant was issued for a member of the Managing Board, in connection with this investigation, who was taken into custody. This executive s term has expired and he therefore is no longer a member of the Managing Board. In addition to this former member of the Managing Board, other current and former members of the Company s senior management have been named as suspects in this matter. In April 2007, the former member of the Managing Board posted bail in the amount of 5 million and was released from custody. In this connection, a bank issued a bond (*Bankbürgschaft*) in the amount of 5 million, 4.5 million of which was guaranteed by the Company pursuant to provisions of German law. The former member of the Managing Board has provided the Company a personal undertaking to cooperate with and fully support the independent investigation conducted by Debevoise & Plimpton LLP (Debevoise), as described below, and to repay all costs incurred and payments made by the Company in connection with the bank guarantee in the event he is found to have violated his obligations to the Company in connection with the facts under investigation by the Nuremberg prosecutors. The investigation into the allegations involving the Company s relationship with the former head of AUB and the AUB has also been included within the scope of the investigation being conducted by Debevoise. In April

2007, the labor union IG Metall lodged a criminal complaint against unknown individuals on suspicion that the Company breached the provisions of Section 119 of the Works Council Constitution Act by providing undue preferential support to AUB in connection with elections of the members of the Company s works councils.

In February 2007, an alleged holder of American Depositary Shares of the Company filed a derivative lawsuit with the Supreme Court of the State of New York against certain current and former members of the Company s

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Managing and Supervisory Boards as well as against the Company as a nominal defendant, seeking various forms of relief relating to the allegations of corruption and related violations at Siemens. The suit is currently stayed.

The Company has engaged Debevoise, an independent external law firm, to conduct an independent and comprehensive investigation to determine whether anti-corruption regulations have been violated and to conduct an independent and comprehensive assessment of the compliance and control systems of Siemens. Debevoise reports directly and exclusively to the Compliance Committee of the Supervisory Board (see Item 10: Additional Information Management and Control Structure The Supervisory Board) and is being assisted by forensic accountants from the international accounting firm Deloitte & Touche. Debevoise s investigation of allegations of corruption at the former Com Group, the Company s other Groups and at regional Siemens subsidiaries is ongoing. Information on the financial impact of compliance matters is provided under Item 5: Operating and Financial Review and Prospects Financial Impact of Compliance Matters.

We have taken a number of significant steps to improve our compliance procedures and internal controls in response to the allegations of corruption. We are continuing to improve and implement our anti-corruption program and related controls. Please refer to Item 15: Control and Procedures for a description of the initiatives we have implemented or are in the process of implementing.

In addition to the proceedings described above, we are also involved in a number of anti-trust and other legal proceedings:

A Mexican governmental control authority barred Siemens Mexico from bidding on public contracts for a period of three years and nine months beginning November 30, 2005. This proceeding arose from allegations that Siemens Mexico did not disclose alleged minor tax discrepancies when it was signing a public contract in 2002. Upon appeal by Siemens Mexico, the execution of the debarment was stayed on December 13, 2005 and subsequently reduced to a period of four months. Upon further appeal, the execution of the reduced debarment was stayed by the competent Mexican court in April 2006. A final decision on the appeal has not yet been announced.

In February 2007, Siemens Medical Solutions USA, Inc. (SMS) announced that it had reached an agreement with the U.S. Attorney s Office for the Northern District of Illinois to settle allegations made in an indictment filed in January 2006. The agreement resolves all allegations made against SMS in the indictment. Under the agreement, SMS has pled guilty to a single federal criminal charge of obstruction of justice in connection with civil litigation that followed a bid to provide radiology equipment to Cook County Hospital in 2001. In addition, SMS has agreed to pay a fine of $1 million and restitution of approximately $1.5 million.

In December 2006, the Japanese Fair Trade Commission (FTC) searched the offices of more than ten producers and dealers of healthcare equipment, including Siemens Asahi Medical Technologies Ltd., in connection with an investigation into possible anti-trust violations. Siemens Asahi Medical Technologies is cooperating with the FTC in the ongoing investigation.

In February 2007, the French Competition Authority launched an investigation into possible anti-trust violations involving several companies active in the field of suburban trains, including Siemens Transportation Systems S.A.S. in Paris, and the offices were searched. The Company is cooperating with the French Competition Authority.

In February 2007, the Norwegian Competition Authority launched an investigation into possible anti-trust violations involving Norwegian companies active in the field of fire security, including Siemens Building Technologies AS. The Company is cooperating in the ongoing investigation with the Norwegian Competition Authority. The Norwegian Competition Authority has not yet announced a schedule for the completion of the investigation.

In February 2007, the European Commission launched an investigation into possible anti-trust violations involving European producers of power transformers, including Siemens AG and VA Tech, which Siemens acquired in July 2005. The German Anti-trust Authority (*Bundeskartellamt*) has become involved in the proceeding and is responsible for investigating those allegations which relate to the German market. Power transformers are electrical equipment used as major components in electric transmission systems in order to adapt voltages. The Company is cooperating in the ongoing investigation with the European Commission and the German Anti-trust Authority. The European Commission and the German Anti-trust Authority have not yet announced a schedule for the completion of their investigation.

In April 2007, Siemens AG and VA Tech filed actions before the European Court of First Instance in Luxemburg against the decisions of the European Commission dated January 24, 2007, to fine Siemens and VA Tech for alleged anti-trust violations in the European Market of high-voltage gas-insulated switchgear between 1988 and 2004. Gas-insulated switchgear is electrical equipment used as a major component for turnkey power substations. The fine imposed on Siemens amounted to 396.6 million. The fine imposed on VA Tech, which Siemens AG acquired in July 2005, amounted to 22.1 million. VA Tech was declared jointly liable with Schneider Electric for a separate fine of 4.5 million. The European Court of First Instance has not yet issued a decision. Furthermore, authorities in Brazil, New Zealand, the Czech Republic, Slovakia and South Africa are conducting investigations into the same possible anti-trust violations. On October 25, 2007, upon the Company s appeal, a Hungarian competition court reduced administrative fines imposed on Siemens AG from 320,000 to 120,000 and from 640,000 to 110,000 regarding VA Tech. We have appealed this decision.

In April 2007, the Polish Competition Authority launched an investigation against Siemens Sp. z o.o. Poland regarding possible anti-trust violations in the market for the maintenance of diagnostic medical equipment. The Company is cooperating in the ongoing investigation with the Polish Competition Authority.

In June 2007, the Turkish Anti-trust Agency confirmed its earlier decision to impose a fine of approximately 6 million on Siemens AS Turkey based on alleged anti-trust violations in the traffic lights market. Siemens Turkey has appealed this decision and this appeal is still pending. It is possible that as a result of this decision, Siemens could be debarred from participating in public sector tender offers in Turkey for a one- to two-year period.

The Company requested arbitration against the Republic of Argentina before the International Center for Settlement of Investment Disputes (ICSID) of the World Bank. The Company claimed that Argentina unlawfully terminated the Company s contract for the development and operation of a system for the production of identity cards, border control, collection of data and voters registers and thereby violated the Bilateral Investment Protection Treaty between Argentina and Germany (BIT). The Company sought damages for expropriation and violation of the BIT of approximately $500 million. Argentina disputed jurisdiction of the ICSID arbitration tribunal and argued in favor of jurisdiction of the Argentine administrative courts. The arbitration tribunal rendered a decision on August 4, 2004, finding that it had jurisdiction over Siemens claims and that Siemens was entitled to present its claims. A hearing on the merits of the case took place before the ICSID arbitration tribunal in Washington in October 2005. A unanimous decision on the merits was rendered on February 6, 2007, awarding Siemens compensation in the amount of $217.8 million on account of the value of its investment and consequential damages, plus compound interest thereon at a rate of 2.66% since May 18, 2001. The tribunal also ruled that Argentina is obligated to indemnify Siemens against any claims of subcontractors in relation to the project (amounting to approximately $44 million) and, furthermore, that Argentina would be obligated to pay Siemens the full amount of the contract performance bond ($20 million) in the event this bond was not returned within the time period set by the tribunal (which period subsequently elapsed without delivery). On June 4, 2007, Argentina filed with the ICSID an application for the annulment and stay of enforcement of the award, alleging serious procedural irregularities. An ad hoc committee has been appointed to consider Argentina s application. Siemens currently expects that the ad hoc committee will not render a decision before 2009.

Siemens AG and its subsidiaries have been named as defendants in various other legal actions and proceedings arising in connection with their activities as a global diversified group. Some of these pending proceedings have been previously disclosed. Some of the legal actions include claims for substantial compensatory or punitive damages or claims for indeterminate amounts of damages. Siemens is from time to time also involved in regulatory investigations beyond those described above. Siemens is cooperating with the relevant authorities in several jurisdictions and, where appropriate, conducts internal investigations regarding potential wrongdoing with the assistance of in-house and external counsel. Given the number of legal actions and other proceedings to which Siemens is subject, some may result in adverse decisions. Siemens contests actions and proceedings when it considers it appropriate. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which claimants seek substantial or indeterminate damages, Siemens often cannot predict what the eventual

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loss or range of loss related to such matters will be. Although the final resolution of these matters could have a material effect on Siemens consolidated operating results for any reporting period in which an adverse decision is rendered, Siemens believes that its consolidated financial position should not be materially affected by the matters discussed in this paragraph.

ITEM 4A: UNRESOLVED STAFF COMMENTS

Not applicable.

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ITEM 5: OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Introduction

This Form 20-F contains forward-looking statements and information that is, statements related to future, not past, events. These statements may be identified by words such as expects, looks forward to, anticipates, intends, plans believes, seeks, estimates, will, project or words of similar meaning. Such statements are based on our current expectations and certain assumptions, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Siemens to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For us, particular uncertainties arise, among others, from: the factors listed above under Item 3: Key Information Risk Factors; changes in general economic and business conditions (including margin developments in major business areas); the challenges of integrating major acquisitions and implementing joint ventures and other significant portfolio measures; changes in currency exchange rates and interest rates; introduction of competing products or technologies by other companies; lack of acceptance of new products or services by customers targeted by Siemens; changes in business strategy; the outcome of pending investigations and legal proceedings, especially the corruption investigation we are currently subject to in Germany, the United States and elsewhere; the potential impact of such investigations and proceedings on our ongoing business including our relationships with governments and other customers; the potential impact of such matters on our financial statements; as well as various other factors. More detailed information about certain of these factors is contained throughout this report and in our other filings with the SEC, which are available on the Siemens website, www.siemens.com, and on the SEC s website, www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Siemens does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

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The following discussion of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and the related Notes prepared in accordance with IFRS as described in Notes to Consolidated Financial Statements as of, and for the years ended, September 30, 2007, 2006 and 2005. In addition to its primary financial reporting for fiscal 2006 under U.S. GAAP, in December 2006 the Company also published its first IFRS Consolidated Financial Statements (IFRS Consolidated Financial Statements as of September 30, 2006). These IFRS Consolidated Financial Statements were presented as supplemental information and serve as a basis for Siemens primary IFRS reporting beginning with the first quarter of fiscal 2007. IFRS differs in certain significant respects from U.S. GAAP. For a discussion of the major differences between IFRS and U.S. GAAP, a reconciliation of net income and shareholders equity to U.S. GAAP and information concerning the use of exceptions permitted or required by IFRS 1, see Notes to Consolidated Financial Statements.

In this report, we present a number of financial measures that are or may be non-GAAP financial measures as defined in the rules of the SEC. The following discussion explains these non-GAAP financial measures and the reasons why we believe that they provide useful information to investors. Measures bearing the same or similar names disclosed by other companies may be calculated differently and therefore may not be directly comparable to the measures discussed below. None of the measures discussed below should be viewed in isolation as alternatives to measures of our financial condition, results of operations or cash flows as presented in accordance with IFRS in our Consolidated Financial Statements.

Currency translation effects and portfolio effects The comparability of our Consolidated Financial Statements between different periods is affected by currency translation effects resulting from our international operations. In fiscal 2007, 2006 and 2005, foreign currency translation effects impacted our results arising from the comparison of the euro, in which our Consolidated Financial Statements are denominated, to other currencies, most notably the U.S. dollar and to a lesser extent the British pound. All of our business Groups are subject to foreign currency translation effects; however, some are particularly affected since they generate a significant portion of their operations through subsidiaries whose results are subject to foreign currency translation effects, particularly in the U.S. In this report, we present, on a worldwide basis and for our business Groups, the percentage change in orders and revenue as adjusted for currency translation effects and portfolio effects (i.e. the effects of acquisitions and dispositions). We believe that meaningful analysis of trends in orders and revenue from one year to the next requires an understanding of these factors and accordingly our management considers these factors in its management of our business. For this reason, we believe that investors may find it useful to have portfolio effects and currency translation effects quantified and to consider the percentage change in orders and revenue as adjusted for these effects. Percentage changes in orders and revenue as adjusted for currency translation effects and portfolio effects should not be viewed in isolation as an alternative to the corresponding unadjusted percentage changes in orders and revenue. For significant quantitative effects of currency translation and portfolio effects on revenue of the Company and for our business Groups, see Fiscal 2007 Compared to Fiscal 2006 and Fiscal 2006 Compared to Fiscal 2005. For additional information on foreign currency translation, see Item 11: Quantitative and Qualitative Disclosure About Market Risk Foreign Currency Exchange Rate Risk and Notes to Consolidated Financial Statements. In addition, the effect of acquisitions and dispositions on our consolidated revenues and expenses also affects the comparability of our Consolidated Financial Statements between different periods.

Free Cash Flow In this report, we present free cash flow, which we define as net cash provided by (used in) operating activities less additions to intangible assets and property, plant and equipment. We believe this measure is helpful to investors to compare cash generation among the Groups.

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Business overview and Economic Environment

Fiscal 2007 Highlights

Fiscal 2007 was an eventful year that closed with one of Siemens best operating quarters in history. Net income rose 21% and earnings per share for the year rose 20% compared to fiscal 2006, we exceeded our targets for revenue and order growth, and profitability increased strongly throughout Operations. We also completed the repurchase of the remaining outstanding amount of a 2.5 billion convertible bond issue which reduced dilution for Siemens shareholders by nearly 35 million shares. We expect the positive development of Siemens to continue in the coming two fiscal years with revenue growing by at least twice the rate of global gross domestic product (GDP) and Group profit from Operations to grow at least twice as fast as our revenue.

Higher net income and EPS. Siemens net income in fiscal 2007 was 4.038 billion, a 21% increase over 3.345 billion a year earlier. Earnings per share (EPS) was 4.24, up from 3.52 in fiscal 2006. Net income in the current year was reduced by substantial corporate costs associated with legal and regulatory matters, which are discussed below. In addition, tax expense associated with the carve-out of Siemens VDO Automotive (SV) reduced net income by approximately 1.1 billion. This expense was booked at SV when it was determined to be held for disposal and therefore part of discontinued operations. Furthermore discontinued operations included a preliminary non-cash pre-tax gain of 1.6 billion generated by the transfer of the former Communications Group s carrier-related businesses into Nokia Siemens Networks B.V. (NSN). Discontinued operations overall contributed 129 million to net income in fiscal 2007 compared to 703 million a year earlier. More detail on discontinued operations is provided below.

Increased profitability. Income from continuing operations was 3.909 billion for the year, 48% higher than a year earlier. Basic and diluted EPS on a continuing basis rose to 4.13 and 3.99, respectively, compared to 2.78 and 2.77 a year earlier. These increases were due to Group profit from Operations, which climbed 70% year-over-year to 6.560 billion, even with negative equity investment income of 429 million related to NSN, which was formed by Nokia Corporation (Nokia) and Siemens in April 2007. All Groups in Operations increased their Group profit and Group profit margin. Automation and Drives (A&D), Power Generation (PG), Medical Solutions (Med) and Power Transmission and Distribution (PTD) had the highest levels of Group profit. Siemens IT Solutions and Services (SIS) benefited strongly from severance programs in fiscal 2006 totaling 576 million, and recorded Group profit of 252 million for the current year compared to a loss of 731 million in the prior year.

Rapid growth in Group profit more than offset a significant increase in Corporate items, pensions and eliminations year-over-year, which rose from a negative 527 million in fiscal 2006 to a negative 1.672 billion in the current year. The change is due primarily to the legal and regulatory matters discussed below.

Earnings at Financing and Real Estate rose to 557 million for fiscal 2007, from 421 million a year earlier. Corporate Treasury activities contributed earnings of 153 million compared to a loss of 18 million in the same period a year earlier, which includes a 143 million net negative effect related to mark-to-market valuation of a cash settlement option associated with the 2.5 billion convertible bond issued in 2003. This option was irrevocably waived in the third quarter of fiscal 2006, effectively eliminating subsequent earnings effects.

Strong global growth. Our revenue increased 9% year-over-year, to 72.448 billion, with higher revenue in every region of the world. Both revenue and orders include new business from acquisitions, particularly at Med and A&D, which largely offset negative effects from currency translation involving the U.S. dollar. On an organic basis (that is excluding the net effect of currency translation and portfolio transactions), revenue grew 10%. All our operating Groups increased revenue organically year-over-year, highlighted by double-digit rises at A&D, PG and PTD. Orders grew even faster, rising 12% to 83.916 billion, with double-digit increases at PG, PTD, A&D, Industrial Services and

Solutions (I&S) and Med. On an organic basis, orders rose 13% year-over-year.

Higher cash flows. Net cash provided by operating activities was 7.328 billion in fiscal 2007, compared to 5.659 billion a year earlier. We generated 6.755 billion in free cash flow (defined as net cash provided by (used in) operating activities less additions to intangible assets and property, plant and equipment) from continuing operations in fiscal 2007, well above 1.820 billion in free cash flow a year earlier.

Completion of Fit4More. Many of our financial and operating highlights during fiscal 2007 stem directly from our multi-year Fit4More program, which we brought to a successful close in the second quarter. In addition to setting the growth and profitability targets mentioned above, Fit4More also focused our business portfolio on strategic global markets such as industrial infrastructure, energy, and healthcare. In fiscal 2007, we exited the automotive market via the carve-out of SV, with a sale to Continental expected to close in the first quarter of fiscal 2008. We also transferred our former telecommunications infrastructure businesses into NSN, and are in the process of divesting our enterprise networking business which is reported within discontinued operations. Meanwhile, we completed or announced major acquisitions that add a successful in-vitro healthcare diagnostics business to complement our existing portfolio of diagnostics imaging solutions. In our factory automation business, we added important product life-cycle management (PLM) software capabilities. We also reoriented our IT consulting and outsourcing business, combining it with other strategic IT units within Siemens, and moving it into the SIS Group.

At the completion of Fit4More we announced Fit for 2010, a new program that is founded on the same performance pillars as Fit4More, including goals for profitability and growth.

Progress with legal and regulatory matters. We made substantial progress during the year in addressing issues related to investigations of past misconduct by Siemens employees. We take these matters very seriously and engaged them vigorously as a top priority throughout the year. We gave significant management attention and retained highly regarded outside experts to help us cooperate fully with outside investigations, conduct our own internal investigations, and act upon the results of these investigations. We also issued detailed, comprehensive public disclosures on these topics at various points during the year. Taking continuing and discontinued operations together, expenses for outside advisors engaged by Siemens in connection with the investigations as well as remediation activities totaled 347 million in fiscal 2007, and we expect further expenses in fiscal 2008.

We paid a number of penalties related to the completion of outside investigations during the year. These include European Commission antitrust penalties related to gas-insulated switchgear and a fine paid to German authorities related to past actions at Com. Meanwhile we conducted our own internal investigations throughout Siemens, particularly to identify questionable payments made to outside parties under Business Consulting Agreements (BCAs). We identified a substantial sum of these payments, determined how much of the total of these payments had been incorrectly booked as tax-deductible business expenses, and adjusted the comparative amounts for fiscal 2005 and 2006 in the Consolidated Financial Statements included in this report. Including the expenses associated with internal and external investigations and the penalties mentioned above, the total expense within Corporate items associated with legal and regulatory matters during fiscal 2007 was 843 million. For more information with respect to these legal and regulatory matters, see Legal Proceedings.

Dividend. The Siemens Managing Board and Supervisory Board have proposed a dividend of 1.60 per share. The dividend in the prior year was 1.45.

Strategic Overview

Our competitive strategy is to innovate through research and development (R&D), improve our business portfolio to bring that innovation to market on a global basis, and back these efforts with a strong financial condition.

We continually balance our business portfolio to maintain our leadership in established markets while penetrating new markets. In some cases this involves acquiring complementary technology that enables us to offer more complete solutions. We also use acquisitions to gain scale in both established and new regional markets. In fiscal 2007, we pursued both strategies, and also exited or reduced our participation in markets that did not belong to our focus areas. Major transactions included the following:

In January 2007, we acquired the Diagnostics division of Bayer AG, headquartered in the U.S. We integrated this business into our own Diagnostics division at Med, following the fiscal 2006 acquisition of Diagnostic Products Corporation (DPC) in the U.S., a leading provider of in vitro immunodiagnostics solutions. We expect the Bayer transaction to significantly strengthen our position in in-vitro diagnostics, a high-growth segment of the healthcare market.

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In April 2007, we transferred our mobile and fixed-line carrier networks businesses into NSN. Our enterprise networks business is held for disposal.

In May 2007, we acquired U.S.-based UGS Corp., one of the leading providers of product lifecycle management (PLM) software and services for manufacturers. We expect this transaction to complement and extend our existing software capabilities in the factory automation industry, which increasingly integrates information technology (IT) into manufacturing facilities and processes.

In July 2007, we announced an agreement to acquire U.S.-based Dade Behring Holdings, Inc. (Dade Behring), a leading clinical laboratory diagnostics company. The transaction closed in the first quarter of fiscal 2008. We intend to integrate this acquisition into the Diagnostics division at Med, making Siemens the world s first fully integrated diagnostics provider with solutions for in-vitro diagnostics, in-vivo imaging, and data- and image-management software.

In July 2007, we signed an agreement with Continental AG, Hanover, Germany, to sell our entire SV activities. These business activities are reported in discontinued operations for both the current and prior periods.

We further improved our business portfolio in fiscal 2007 through smaller acquisitions and divestments. For a detailed discussion of our acquisitions, dispositions and discontinued operations, see Notes to Consolidated Financial Statements.

Siemens operates in approximately 190 countries, making us one of the most global companies in the world. In fiscal 2007, our business outside Germany accounted for nearly 60 billion in revenues, representing 83% of total revenue. In particular, we expanded our business in Europe and Asia-Pacific at more than twice the rate of GDP growth in these regions. Revenue rose even faster in the smaller Africa, Near and Middle East, Commonwealth of Independent States region, which grew to account for nearly 10% of our revenues in fiscal 2007.

We support our competitive strategy with all our corporate resources, including our Financing and Real Estate Groups and our Corporate Treasury which provide important capabilities for financing and managing our assets. We also manage the capital structure in our balance sheet to ensure cost-effective access to the capital we need for building our business and sustaining profitable growth that creates value for shareholders.

Worldwide Economic Environment

According to estimates of Global Insight, Inc., gross domestic product (GDP) in 2007 is expected to grow 3.6% on a global basis. The decline compared to GDP growth of 3.9% in 2006 is due to rising oil prices and higher interest rates among other factors.

Europe is expected to experience a decline to 2.9% GDP growth in 2007 compared to 3.2% in 2006. Within Europe, 2.7% GDP expansion is anticipated for the Western Europe nations, down from 3.0% in 2006, as the cooler global economy and a stronger euro combine to weigh on export growth. In Germany, the appreciation of the euro and higher taxes are expected to slow GDP growth to 2.6% for the year, down from 2.9% a year earlier. As in 2006, the economies of Central and Eastern Europe are expected to grow faster than Europe overall, with aggregate GDP growth of 6.1%. This represents a slight slowing from 6.3% in 2006.

In the Americas, GDP growth is expected to fall to 2.5% in 2007 from 3.2% in 2006, primarily because of a decline in U.S. economic growth from 2.9% in 2006 to 2.0% in 2007. Among the factors that are slowing growth of the U.S.

economy are downturns in real estate and housing construction, which are eroding consumer spending as well as employment in construction and related industries and uncertainty in financial markets following large write-downs by major banks relating to exposures to sub-prime mortgage. While strong global demand for raw materials is expected to support GDP growth of 4.8% in Latin America, that level would still represent a decline from 5.0% in 2006.

In contrast, GDP growth is expected to rise to 5.7% in Asia-Pacific, from 5.5% in 2006, with China and India continuing as the primary growth engines. China is expected to expand GDP by 11.5% in 2007, benefiting from booming infrastructure investment, strong export industries, and significantly increased participation in Chinese

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equity markets by domestic households with globally high rates of income savings. India is expected to post GDP growth rate of 8.8% in 2007, down from 9.4% in 2006, as the country develops its manufacturing and construction industries and broadens its service sector to complement its established strength in IT outsourcing.

GDP growth for the region comprising Africa, the Near and Middle East and the Commonwealth of Independent States (C.I.S.) is anticipated to reach 6.6% in 2007, above last year s growth rate of 6.3%, as the countries of the region continue to benefit from strong global demand for oil and raw materials.

Market Development

The market for electronics and electrical engineering solutions and infrastructure remained strong in 2007, with particular interest in advanced technologies that could provide cleaner and more efficient energy, increase manufacturing production efficiency, improve diagnostic and preventive healthcare and enhance transportation.

Siemens portfolio focus positioned it well to meet customer demands in all these areas. Strong demand for infrastructure investments, e.g. by the world s emerging and developing economies and oil-producing nations expanded the opportunities for Siemens Groups in power generation, power transmission and distribution, and transportation. Rapid industrialization continued in Asia-Pacific, driven by China s and India s economic expansion. This in turn fueled demand for Siemens offerings in factory and process automation and electronics assembly. In developed nations, trends such as aging populations, healthcare and homeland security concerns and rising energy costs played to Siemens established strengths in medical diagnostics and building security, as well as to new capabilities in alternative energy.

Market Trends

Within the broad macroeconomic trends discussed above, there are numerous technological, geographic and customer demand trends that affect our business. Important trends that we are monitoring closely for risks and opportunities are discussed in the paragraphs that follow.

Demand continued to rise for factory and process automation as well as infrastructure engineering solutions, particularly in Asia-Pacific countries that are expanding manufacturing capacity to meet the demands of their outsourcing customers in other regions. In the U.S. and Europe, demand for automation and control solutions was strong in sectors focused on exports. In the building market, customers continued to seek technology enabling more secure, energy-efficient structures. In all regions, there is a growing trend toward reduced use of raw materials and more energy-efficient production processes.

Demand in the global rail industry also increased, with energy efficient solutions gaining importance. Asia-Pacific s growing economies and concentration of population in cities continued to increase demand for urban transit solutions.

Asia-Pacific led growth in the general lighting market as well, and OEMs continued to shift manufacturing to these lower-cost, faster-growing markets. Demand also grew for advanced solutions, such as light emitting diodes (LEDs) and precision components, and for energy-efficient, environmentally friendly products.

In the energy sector, China s rapid modernization continued to drive global demand for fossil power generation and transmission systems, followed by rising power infrastructure needs in the Middle East and the CIS countries. In the U.S. and Europe, concerns about rising energy costs and security of supply continued to stimulate investment in alternative power generation, particularly large offshore wind farms.

In healthcare, aging populations and increased emphasis on preventative care in developed countries continued to fuel demand for advanced diagnostic solutions, including medical imaging such as computed tomography (CT) and magnetic resonance imaging (MRI) and the full spectrum of in-vitro diagnostic testing. The need to improve the quality of care and reduce healthcare costs leads to a growing importance of integrated diagnostic solutions and the overall improvement of clinical workflow, facilitated by integrated healthcare IT systems. In the U.S. the Deficit Reduction Act (DRA) took effect in January 2007, curtailing government reimbursement for medical imaging procedures in the non-hospital (out-patient) setting, imposing pressure on the U.S. medical imaging market.

Research and Development

In fiscal 2007, Siemens increased its research and development (R&D) expenses to 3.399 billion, compared to 3.091 billion in the prior year. The average number of employees engaged in R&D in fiscal 2007 was 30.9 thousand, up from 26.4 thousand in fiscal 2006. A&D focused its R&D activities on manufacturing automation. Osram focused its R&D activities on fostering sustainable products, increased brightness and lower production costs of LEDs. PG s R&D activities emphasized rotating machinery such as gas and steam turbines, generators, compressors, wind turbines, instrumentation and control systems for renewable, nuclear and fossil power generation and improved power plant solutions, especially power plants with carbon capture and other diversification of the power generation portfolio, e.g. coal gasification, fuel cells and energy storage technologies. Med invested in R&D particularly to improve technology and clinical applications for medical imaging systems, such as such as magnetic resonance imaging, computed tomography, x-ray angiography, ultrasound and information technology.

Basis of Presentation

To help shareholders understand and follow our progress, we present our financial results in aggregate and also break out the major components. The sum of results for the components equals the result for Siemens as a whole.

The majority of our business is devoted to providing products and services to customers based on Siemens expertise in innovative electrical engineering. We call this component of our business Operations. The Groups in Operations design, manufacture, market, sell, and service products and systems, or help customers use and manage those products and systems. A Group is equivalent to a reportable segment as defined by IFRS.

We measure the performance of the Groups in Operations using Group profit, defined as earnings before financing interest, certain pension costs and income taxes. Group profit therefore excludes various categories of items which are not allocated to the Groups since the Managing Board does not regard such items as indicative of the Group s performance. The effect of certain litigation and compliance issues is also not included in Group profit when the Company concludes that such items are not indicative of the Groups performance since the results of operations of the Groups may be distorted by the amount and the irregular nature of such events. This may also be the case for items that refer to more than one Group or have a corporate or central character. For additional information with respect to Group profit, see Notes to Consolidated Financial Statements. The Managing Board also determined Net capital employed as additional information to assess the capital intensity of the Operations Groups. Its definition corresponds with the Group profit measure. In addition, Free cash flow is used to compare cash generation among the Groups. For additional information see Notes to Consolidated Financial Statements.

In fiscal 2006, Siemens announced portfolio changes that resulted in dissolving Com as a Group and reportable segment. As discussed in Notes to Consolidated Financial Statements, the primary business components of the former operating segment Com were either already disposed of (carrier networks and MD) or still held for disposal (enterprise networks) as of September 30, 2007. Beginning October 1, 2006, A&D assumed responsibility for Com s Wireless Modules business. Except for Wireless Modules and other businesses including the former division Siemens Home and Office Communication Devices that was reclassified from Com to Other Operations in the third quarter of fiscal 2006, the historical results of the former operating segment Com are presented as discontinued operations. Current and prior-year segment disclosures exclude the applicable information included in the Company s financial statement presentation.

Due to the increased importance of the Company s strategic investments accounted for under the equity method, in particular the creation of NSN (see Notes to Consolidated Financial Statements for further information), Siemens has created a new reportable segment Strategic Equity Investments (SEI) beginning in fiscal 2007. SEI represents an operating segment, having its own management that reports the results of the segment to the Managing Board. In addition to the investments in Fujitsu Siemens Computers (Holding) BV (FSC) and BSH Bosch und Siemens Hausgeräte GmbH (BSH), the Siemens investment in NSN is also reported in SEI beginning in the third quarter of fiscal 2007. The investments in FSC and BSH were included within Other Operations until September 30, 2006. Prior-year information was reclassified for comparability purposes for these two investments.

A new Group called Siemens IT Solutions and Services (SIS) was created effective April 1, 2007. SIS consists primarily of the activities of the former segment Siemens Business Services that were bundled with other information technology activities. Prior-year information was reclassified for comparability purposes.

In fiscal 2007, Siemens also signed an agreement to sell its entire SV activities to Continental AG. The historical results of the SV business are reported as discontinued operations. Beginning in the fourth quarter of fiscal 2007, SV ceased to represent a reportable segment. Current and prior-year segment disclosures therefore exclude the applicable information included in the Company s financial statement presentation.

Another component of our Company is made up of two Groups involved in non-manufacturing activities such as financing, leasing, investing and real estate. We call this component of our business Financing and Real Estate. We evaluate the profitability of our Financing and Real Estate Groups using income before income taxes.

In breaking out the Operations and Financing and Real Estate components and in order to show more clearly our external performance, we exclude the business they conduct with each other and with our Corporate Treasury, which provides cash management services for our Groups and corporate finance activities. These internal transactions are therefore included into a component called Eliminations, reclassifications and Corporate Treasury. This component is the difference between the results for Operations and Financing and Real Estate and the results of Siemens. For additional information, see Notes to Consolidated Financial Statements.

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In this report we include information concerning new orders for each of the years presented. Under our order recognition policy, we generally recognize a new order when we enter into a contract that we consider effective and binding based on our review of a number of different criteria. As a general rule, if a contract is considered effective and binding, we recognize the total contract value as promptly as practicable, where total contract value is defined as the agreed price for the goods to be delivered and services to be rendered, or the agreed fee, in each case for the irrevocable term of the contract. For service, maintenance and outsourcing contracts with a contractual term of greater than 12 months, if management determines that there is a high degree of uncertainty concerning whether the customer will adhere to the full contract term, the agreed fees for the next 12 months are recognized as new orders on a revolving basis. In the event an order is cancelled or modified in amount during the ongoing fiscal year, we adjust our new order total for the current period accordingly, rather than retroactively adjust previously published new order totals. However, if an order from the previous year is cancelled, it is generally not adjusted from current period new orders, but instead from existing orders on hand. There is no standard system among companies in our areas of activity for the compilation of new order information, with the result that our new order totals may not be comparable with new order totals published by other companies. Our new order totals are not audited by our external auditors, but we do subject them to internal documentation and review requirements. We may change our policies for recognizing new orders in the future without previous notice.

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Fiscal 2007 Compared to Fiscal 2006

Consolidated Operations Of Siemens

Results of Siemens

The following discussion presents selected information for Siemens for the fiscal years ended:

	New Orders (location of customer)					
	Year ended September 30,		% Change vs. previous year		therein	
	2007	2006	Actual	Adjusted*	Currency	Portfolio
	(in millions)					
Germany	13,562	12,782	6%	5%	*0%*	*1%*
Europe (other than Germany)	26,648	22,351	19%	18%	*0%*	*1%*
Americas	22,831	20,202	13%	18%	*(9)%*	*4%*
Asia-Pacific	13,291	11,250	18%	19%	*(3)%*	*2%*
Africa, Near and Middle East, C.I.S.**	7,584	8,359	(9)%	(7)%	*(3)%*	*1%*
Siemens	**83,916**	**74,944**	**12%**	**13%**	**(3)%**	**2%**

* Excluding currency translation and portfolio effects.

** Commonwealth of Independent States.

Siemens booked 83.916 billion in new orders in fiscal 2007. This 12% rise compared to fiscal 2006 resulted in a book-to-bill ratio of 1.16 for the year. Europe outside Germany and the Americas were the two largest regions by volume, followed by Germany and Asia Pacific. Europe outside Germany showed the fastest growth of any region, with a 19% increase to 26.648 billion for the year led by strong demand at PG, Med, PTD and A&D and numerous large new contracts. Orders in Germany were 13.562 billion, up 6% including strong contributions from A&D, PG and TS.

In the Americas region, orders rose 13% in fiscal 2007, to 22.831 billion, despite considerable weakening of the U.S. dollar against the euro. Continuing demand for energy solutions at PG, and for industrial automation solutions at A&D and I&S, more than compensated for currency and market conditions that led to reductions in orders in the U.S. at TS, Med, Osram and SBT. As a result, the U.S. share of orders in the region fell to 73% compared to 78% in fiscal 2006. On an organic basis, excluding the net effect of portfolio transactions and unusually strong negative currency translation effects, orders were up 18% and 11% in the Americas and the U.S. respectively.

Orders in Asia-Pacific came in at 13.291 billion, 18% higher than in the prior year, with PG, A&D, PTD, Med and I&S all winning at least 20% more new business in the region. Orders in China and India were 4.871 billion and 2.015 billion, and grew at 12% and 15% respectively, and accounted for 52% of new Asia-Pacific orders. A year earlier, their combined share was 54%. New orders in the Africa, Near and Middle East, C.I.S. region came in 9%

lower year-over-year, at 7.584 billion, primarily because the prior year included a large order at TS for both trains and maintenance in Russia. For the region as a whole, PTD, A&D and Osram saw double-digit order growth for the current period.

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	Revenue (location of customer)					
	Year ended September 30,		% Change vs. previous year		therein	
	2007	2006	Actual	Adjusted*	Currency	Portfolio
	(in millions)					
Germany	12,594	12,382	2%	2%	0%	0%
Europe (other than Germany)	22,801	20,489	11%	10%	0%	1%
Americas	19,321	18,371	5%	9%	(8)%	4%
Asia-Pacific	10,937	9,457	16%	18%	(3)%	1%
Africa, Near and Middle East, C.I.S.**	6,795	5,788	17%	19%	(3)%	1%
Siemens	**72,448**	**66,487**	**9%**	**10%**	**(3)%**	**2%**

* Excluding currency translation and portfolio effects.

** Commonwealth of Independent States.

Revenue for fiscal 2007 totaled 72.448 billion, a 9% increase compared to fiscal 2006. Revenue in Europe outside Germany rose 11% year-over-year, to 22.801 billion, with A&D, PG and Med leading the increase. Revenue growth was more restrained in the Americas, affected by the considerable weakening of the U.S. dollar against the euro during the year, coming in 5% higher than in fiscal 2006 at 19.321 billion. Energy, automation and medical solutions were the highlights for the Americas overall as well as for the U.S., which accounted for 77% of the region s revenue for the year. On an organic basis, revenue for the Americas and the U.S. climbed 9% and 7% year-over-year, respectively.

Revenue grew more rapidly in Asia-Pacific, reaching 10.937 billion on a 16% rise. Revenue in China was up 13% to 4.146 billion, as A&D, PG and TS converted major orders from prior periods into current business. While the majority of Groups booked more sales in China than in India, revenue for India jumped 62% year-over-year from 1.034 billion to 1.676 billion and every operating Group posted double-digit increases. Together China and India accounted for 53% of Asia-Pacific revenue, up from 50% in fiscal 2006. The Africa, Near and Middle East, C.I.S. region saw 17% growth compared to the prior year, benefiting from large infrastructure orders in prior years. Most Groups posted double-digit increases in the region, with Siemens energy businesses accounting for 63% of the total volume of 6.795 billion.

	Year ended September 30,		
	2007	2006	% Change
	(in millions)		
Gross profit on revenue	20,876	17,379	20%
as percentage of revenue	*28.8%*	*26.1%*	

Gross profit for fiscal 2007 increased 20% year-over-year, as all Groups in Operations increased gross profit. Gross profit margin increased to 28.8% from 26.1% a year earlier. This increase is due to improved gross profit margins over all groups, especially at SIS, benefiting from an improved cost structure following severance charges in the prior year.

	Year ended September 30,		
	2007	2006	% Change
	(in millions)		
Research and development expenses	(3,399)	(3,091)	10%
as percentage of revenue	*4.7%*	*4.6%*	
Marketing, selling and general administrative expenses	(12,103)	(11,897)	2%
as percentage of revenue	*16.7%*	*17.9%*	
Other operating income	680	629	8%
Other operating expense	(1,053)	(260)	305%
Income from investments accounted for using the equity method, net	108	404	(73)%
Financial income (expense), net	(8)	254	

Research and development expenses increased to 3.399 billion, led by higher outlays at Med and A&D. Despite the increase in our revenue year-over-year, R&D expenses as a percent of revenue increased slightly to 4.7% from 4.6% in fiscal 2006. For additional information with respect to R&D, see Business Overview and Economic Environment Research and Development and Notes to Consolidated Financial Statements. Marketing, selling and general administrative expenses declined as a percent of revenue, to 16.7% from 17.9% a year earlier, due to the substantial increase in our revenue year-over-year.

Other operating income was 680 million in fiscal 2007, compared to 629 million a year earlier. Gains on sales of property, plant and equipment and intangibles increased from 208 million in fiscal 2006 to 289 million in fiscal 2007. In fiscal 2007, gains on disposals of businesses were 196 million, benefiting from a sale of a locomotive leasing business at TS, compared to 55 million in the prior year. Fiscal 2006 included a gain of 70 million related to the settlement of an arbitration proceeding.

Other operating expense increased significantly from 260 million in fiscal 2006 to 1.053 billion in fiscal 2007. The change year-over-year is due to expenses related to major legal and regulatory matters in the current period. This included 440 million stemming from sanctions on major suppliers of gas-isolated switchgear, and 152 million in expenses for external advisors and consultants related to legal and compliance issues, as well as 81 million in funding primarily for job placement companies for former Siemens employees affected by the bankruptcy of BenQ Mobile GmbH & Co. OHG (BenQ). Other operating expense in fiscal 2007 also included 60 million for goodwill impairment.

Income from investments accounted for using the equity method, net decreased to 108 million from 404 million a year earlier, due to the loss of 429 million in fiscal 2007 from NSN. Financial income (expense), net decreased from a positive contribution of 254 million in fiscal 2006 to a negative 8 million in fiscal 2007, primarily due to higher interest for financial liabilities, which were raised primarily at the end of the prior fiscal year. Fiscal 2006 benefited from a pre-tax gain of 84 million related to the sale of the Company s interest in SMS Demag AG.

	Year ended September 30,		
	2007	2006	% Change
	(in millions)		

Income from continuing operations before income taxes	5,101	3,418	49%
Income taxes	(1,192)	(776)	54%
as percentage of income from continuing operations before income taxes	*23%*	*23%*	
Income from continuing operations	3,909	2,642	48%
Income from discontinued operations, net of income taxes	129	703	(82)%
Net income	4,038	3,345	21%
Net income attributable to minority interest	232	210	
Net income attributable to shareholders of Siemens AG	3,806	3,135	21%

Income from continuing operations before income taxes increased by 49% to 5.101 billion in fiscal 2007, from 3.418 billion a year earlier, driven by a combination of increased revenue and margins, partly offset with

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negative equity investment income of 429 million related to NSN and expenses related to major legal and regulatory matters totaled in the current period. Fiscal 2006 included severance charges at SIS of 576 million. In the last quarter of fiscal 2007, all groups reached their group profit margin targets.

Income from continuing operations in fiscal 2007 was 3.909 billion, up 48% from 2.642 billion in fiscal 2006, due to an increased income from continuing operations before income taxes. The effective tax rate was 23% in fiscal 2007 and 2006. Income tax expenses include adjustments related to the previously reported compliance investigation. As a result of that investigation, payments were identified that had been recorded as deductible business expenses in prior periods when determining income tax provisions. The Company s investigation has determined that certain of these payments were non-deductible under the tax laws of Germany and other jurisdictions. For further information, please refer to Notes to the Consolidated Financial Statements.

Discontinued operations includes enterprise networks business, which is held for disposal, the carrier-related business, which was transferred into NSN, the Mobile Devices business sold to BenQ Corporation, and SV, which is held for disposal pending the closing of the sale of those operations to Continental AG. SV is included within discontinued operations on a retroactive basis to provide a meaningful comparison with prior periods. For fiscal 2007, income from discontinued operations contributed 129 million to net income, compared to 703 million a year earlier. Contribution to net income from SV activities was a negative 550 million compared to a positive 410 million in fiscal 2006. This decrease was due to an approximate 1.1 billion tax expense as well as interest expense and closing costs related to the carve-out. Full-year results at Com-related activities contributed positively in both the current and prior year, with 765 million and 357 million, respectively. The current-year result was higher primarily due to the 1.6 billion NSN non-cash gain. This gain was partly offset by 567 million in impairments at the enterprise networking business, a 201 million fine imposed on us in Germany, of which 200 million was tax deductible for tax purposes, and 104 million in other costs related to compliance matters. The remainder of the change year-over-year is due to an operating loss in the current year compared to operating profit at Com a year earlier. While the profitable carrier activities were included for all of fiscal 2006, they were transferred out of discontinued operations and into NSN midway through fiscal 2007. Effects related to BenQ reduced net income by 86 million and 64 million, respectively, in fiscal 2007 and fiscal 2006. For additional information with respect to discontinued operations, see Notes to Consolidated Financial Statements.

Net income for Siemens in fiscal 2007 was 4.038 billion, a 21% increase compared to 3.345 billion in the same period a year earlier. Net income attributable to Shareholders of Siemens AG was 3.806 billion, up 21% from 3.135 billion in fiscal 2006.

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Segment Information Analysis

Operations

Automation and Drives (A&D)

	Year ended September 30,		% Change	
	2007	2006	Actual	Adjusted*
	(in millions)			
Group profit	2,090	1,575	33%	
Group profit margin	13.6%	12.1%		
New orders	16,794	14,312	17%	16%
Total revenue	15,389	13,041	18%	16%
External revenue	13,695	11,564	18%	
Therein:				
Germany	*3,991*	*3,396*	*18%*	
Europe (other than Germany)	*4,191*	*3,485*	*20%*	
Americas	*2,643*	*2,324*	*14%*	
Asia-Pacific	*2,419*	*2,017*	*20%*	
Africa, Near and Middle East, C.I.S.	*451*	*342*	*32%*	

* Excluding currency translation effects of (2)% on revenue and orders, and portfolio effects of 4% and 3% on revenue and orders, respectively.

A&D increased its Group profit 33% compared to fiscal 2006, to 2.090 billion. A&D s largest divisions led the increase, including significant earnings growth in the Industrial Automation Systems, Mechanical Drives, Motion Control Systems and Large Drives divisions. The Group gained operating leverage on rising volume, particularly evident in lower selling costs as a percent of revenue. As a result, A&D s Group profit margin rose compared to fiscal 2006, even though the increase was held back by 143 million in purchase price accounting (PPA) effects associated with the Group s acquisitions of UGS Corp. (in May 2007) and Flender Holding GmbH (in fiscal 2005) as well as 23 million in integration costs. A&D saw a corresponding increase in amortization for intangible assets year-over-year.

Orders at A&D rose 17% year-over-year, to 16.794 billion, and revenue rose 18%, to 15.389 billion. Both orders and revenue included double-digit increases in Germany and all major regions of the world. A&D continued to generate the largest share of its business in Europe (including Germany), which accounted for 60% of revenue from external customers in both fiscal years. Revenue and orders benefited from the acquisition of UGS, a leading provider of product lifecycle management (PLM) software which A&D acquired to complement and extend its existing software capabilities. The PLM business got off to a good start within A&D, launching its technology integration and winning new customers for the Group.

Industrial Solutions and Services (I&S)

	Year ended September 30, 2007	2006	% Change Actual	Adjusted*
	(in millions)			
Group profit	415	282	47%	
Group profit margin	4.7%	3.2%		
New orders	10,161	9,025	13%	15%
Total revenue	8,894	8,819	1%	3%
External revenue	7,824	7,837	(0)%	
Therein:				
Germany	*1,011*	*1,011*	*0%*	
Europe (other than Germany)	*2,178*	*2,141*	*2%*	
Americas	*2,359*	*2,549*	*(7)%*	
Asia-Pacific	*1,364*	*1,187*	*15%*	
Africa, Near and Middle East, C.I.S.	*912*	*949*	*(4)%*	

* Excluding currency translation effects of (3)% on revenue and orders, and portfolio effects of 1% on revenue and orders.

In fiscal 2007, Group profit at I&S climbed to 415 million, a 47% increase year-over-year. Both earnings and margins improved throughout the Group, with the strongest increases coming in the Group s largest businesses: industrial services, oil and gas and metal technologies. Amortization during fiscal 2007 declined compared to fiscal 2006, primarily on lower PPA effects from acquisitions in prior years including VA Technologies AG (VA Tech).

Orders at I&S for fiscal 2007 rose to 10.161 billion, 13% higher than in fiscal 2006. This growth was fueled by strong demand in Asia-Pacific and the Americas, including large orders from Brazil and the U.S. While revenue of 8.894 billion also included healthy growth in Asia-Pacific, this was offset somewhat by the effects of industry-wide resource constraints as well as lower revenue in the postal automation and airport logistics businesses compared to fiscal 2006.

Siemens Building Technologies (SBT)

	Year ended September 30, 2007	2006	% Change Actual	Adjusted*
	(in millions)			
Group profit	354	223	59%	
Group profit margin	7.0%	4.6%		
New orders	5,350	5,235	2%	5%
Total revenue	5,062	4,796	6%	8%
External revenue	4,952	4,695	5%	

Therein:			
Germany	*972*	*935*	*4%*
Europe (other than Germany)	*1,885*	*1,768*	*7%*
Americas	*1,715*	*1,641*	*5%*
Asia-Pacific	*251*	*250*	*0%*
Africa, Near and Middle East, C.I.S.	*129*	*101*	*28%*

* Excluding currency translation effects of (3)% and (4)% on revenue and orders, respectively, and portfolio effects of 1% on revenue and orders.

SBT increased Group profit in fiscal 2007 by 59%, to 354 million, demonstrating increased emphasis on its higher-margin businesses in products and services and improved execution including more selective order intake in its solutions business. The Group s fire safety and heating, ventilation and air conditioning businesses made the

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largest contributions to Group profit. Earnings margins rose on a Groupwide basis as well, strengthening Group profit margin for SBT overall by well over two percentage points.

Orders of 5.350 billion grew modestly, rising 2% compared to fiscal 2006, in part due to adverse currency translation effects and slowing construction growth in the U.S., but also as a result of selective order intake. Revenue rose 6% year-over-year, to 5.062 billion, with SBT s largest markets in Europe, the Americas and Germany all contributing solid increases in external revenue compared to fiscal 2006. SBT closed among others the acquisition of an Indian system provider in fiscal 2007 and the acquisition of Bewator in Sweden in fiscal 2006, each bringing the Group new capabilities in building and infrastructure security.

Osram

	Year ended September 30,		% Change	
	2007	2006	Actual	Adjusted*
	(in millions)			
Group profit	492	456	8%	
Group profit margin	10.5%	10.0%		
New orders	4,690	4,563	3%	7%
Total revenue	4,690	4,563	3%	7%
External revenue	4,677	4,547	3%	
Therein:				
Germany	*539*	*535*	*1%*	
Europe (other than Germany)	*1,216*	*1,126*	*8%*	
Americas	*1,947*	*1,982*	*(2)%*	
Asia-Pacific	*780*	*736*	*6%*	
Africa, Near and Middle East, C.I.S.	*195*	*168*	*16%*	

* Excluding currency translation effects of (4)% on revenue and orders.

Osram s Group profit of 492 million in fiscal 2007 was 8% higher than in the prior year. Along with strength in its large general lighting business, Osram benefited from higher earnings in its optical semiconductors business. Broad-based demand throughout the Group took revenue and orders up to 4.690 billion for the fiscal year. Excluding adverse currency translation effects, primarily in Osram s large U.S. market, revenue and orders rose 7% compared to the prior year on rising demand in Europe and Asia-Pacific.

The trend towards energy-efficient lighting solutions had a positive impact on the performance for the 2007 fiscal year. Osram was successful in innovative compact fluorescent lamps, high-intensity discharge lamps and LEDs. Energy-efficient products already account for 60 percent of revenue, and Osram intends to increase this to 80 percent over the next ten years. Osram s main focus for research and development is to make further advances in optical semiconductors (LED and OLED) and energy efficiency, for example with energy-saving lamps and with high-intensity discharge lamps.

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Transportation Systems (TS)

	Year ended September 30, 2007	Year ended September 30, 2006	% Change Actual	% Change Adjusted*
	(in millions)			
Group profit	191	72	165%	
Group profit margin	4.3%	1.6%		
New orders	4,780	6,173	(23)%	(20)%
Total revenue	4,452	4,493	(1)%	2%
External revenue	4,418	4,429	(0)%	
Therein:				
Germany	*717*	*890*	*(19)%*	
Europe (other than Germany)	*2,353*	*2,150*	*9%*	
Americas	*390*	*583*	*(33)%*	
Asia-Pacific	*826*	*707*	*17%*	
Africa, Near and Middle East, C.I.S.	*132*	*99*	*33%*	

* Excluding currency translation effects of (1)% on revenue and orders, and portfolio effects of (2)% on revenue and orders.

TS recorded Group profit of 191 million for fiscal 2007, including a net gain of 76 million on the sale of its locomotive leasing business. Earnings and margins rose on a Groupwide basis except for the mass transit business, which took charges related to its Combino railcar and posted a larger loss than in the prior year.

Orders of 4.780 billion reflect a significantly lower level of large orders for the Group as a whole in the second and third quarters compared to the same periods of the prior year. Revenue of 4.452 billion came close to the prior-year level despite a decline in revenue in the mass transit business. The Group s large European market contributed solid growth while business in Asia-Pacific continued to expand more rapidly from a smaller base.

Power Generation (PG)

	Year ended September 30, 2007	Year ended September 30, 2006	% Change Actual	% Change Adjusted*
	(in millions)			
Group profit	1,147	779	47%	
Group profit margin	9.4%	7.7%		
New orders	17,988	12,532	44%	43%
Total revenue	12,194	10,086	21%	20%
External revenue	12,159	10,068	21%	
Therein:				
Germany	*1,182*	*1,153*	*3%*	

Europe (other than Germany)	*2,920*	*2,267*	*29%*
Americas	*3,405*	*2,706*	*26%*
Asia-Pacific	*2,024*	*1,571*	*29%*
Africa, Near and Middle East, C.I.S.	*2,628*	*2,371*	*11%*

* Excluding currency translation effects of (3)% on revenue and orders, and portfolio effects of 4% on revenue and orders.

Group profit at PG climbed 47% year-over-year, to 1.147 billion in fiscal 2007. All businesses in PG s portfolio generated strong growth in earnings and profitability. Highlights include a significant rise in earnings in the fossil services business and a sharply higher 9.5% margin in the wind power business, where earnings more than tripled. While PG faced higher materials costs compared to fiscal 2006, strong demand enabled the Group to offset the increase with higher prices. Both fiscal years included charges at major projects for PG s fossil power generation business. While PG reduced these charges in fiscal 2007, the improvement was partially offset by negative equity

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investment income and lower cancellation gains compared to fiscal 2006. In particular, equity investment income in fiscal 2007 was a negative 2 million due to a negative 45 million result related to PG s equity stake in Areva NP, a nuclear power company. In fiscal 2006, equity investment income was a positive 36 million despite a negative 27 million result related to Areva NP. The net effect of project charges, equity investment income and other non-operating effects, including the settlement of an arbitration proceeding and the sale of a business in fiscal 2007 and the effects of the bankruptcy of a consortium partner in fiscal 2006 reduced PG s Group profit margin by more than half a percentage point in the current fiscal year and by approximately two percentage points in the prior year. PG expects continued volatility in equity investment earnings in coming quarters.

Demand for PG s power generation solutions was balanced both regionally and among PG s divisions. This balance is particularly notable in comparison to the previous cycle of high global demand for gas turbine energy systems at the beginning of the decade, before PG expanded its industrial turbine business and built its wind power business. In fiscal 2007, PG s non-fossil businesses generated 40% of revenues and 41% of new orders. These total benefited from the acquisition of AG Kühnle Kopp & Kausch in the first quarter of fiscal 2007. Fiscal 2007 orders for PG overall climbed to 17.988 billion, up 44% year-over-year, and are expected to increase the earnings quality of PG s order backlog as they replace older, lower-margin orders that are being fulfilled in coming quarters. Revenue for the year rose to 12.194 billion, 21% higher than in the prior year. On a regional basis, Asia-Pacific, Europe (outside Germany) and the Americas all contributed rapid revenue growth for the year. PG closed one acquisition in fiscal 2007 and two acquisitions in fiscal 2006, each bringing the Group new capabilities for clean power generation.

Power Transmission and Distribution (PTD)

	Year ended September 30,		**% Change**	
	2007	**2006**	**Actual**	**Adjusted***
	(in millions)			
Group profit	650	315	106%	
Group profit margin	8.5%	4.8%		
New orders	9,896	8,028	23%	27%
Total revenue	7,689	6,509	18%	21%
External revenue	7,126	6,032	18%	
Therein:				
Germany	*660*	*558*	*18%*	
Europe (other than Germany)	*1,842*	*1,684*	*9%*	
Americas	*1,373*	*1,233*	*11%*	
Asia-Pacific	*1,601*	*1,457*	*10%*	
Africa, Near and Middle East, C.I.S.	*1,650*	*1,100*	*50%*	

* Excluding currency translation effects of (3)% and (4)% on revenue and orders, respectively.

PTD s Group profit in fiscal 2007 was 650 million, more than double the level in the prior year. Group profit margin for the year benefited from 25 million in hedging effects not qualifying for hedge accounting. The prior-year results included charges related to restructuring programs. Higher revenue in fiscal 2007 led to higher capacity utilization and other operating efficiencies, which in turn enabled all divisions within PTD to increase their earnings and margins compared to fiscal 2006.

In a strong global market for secure, high-efficiency power transmission and distribution, PTD s orders increased 23%, to 9.896 billion. The Group s high-voltage direct current (HVDC) technology was a strong driver of large orders during the year, including contract wins in China, India and the U.S. Revenue rose 18% year-over-year, to 7.689 billion, with Europe (including Germany), the Americas and Asia-Pacific all posting double-digit increases in revenue to external customers and external revenue in Africa, Near and Middle East, C.I.S. rose 50% year-over-year.

Medical Solutions (Med)

	Year ended September 30,		% Change	
	2007	2006*	Actual	Adjusted**
	(in millions)			
Group profit	1,323	988	34%	
Group profit margin	13.4%	12.0%		
New orders	10,271	9,334	10%	(2)%
Total revenue	9,851	8,227	20%	6%
External revenue	9,798	8,164	20%	
Therein:				
Germany	*875*	*682*	*28%*	
Europe (other than Germany)	*2,462*	*1,843*	*34%*	
Americas	*4,578*	*4,044*	*13%*	
Asia-Pacific	*1,468*	*1,222*	*20%*	
Africa, Near and Middle East, C.I.S.	*415*	*373*	*11%*	

* Group profit has been adjusted. For further information see Notes to Consolidated Financial Statements.

** Excluding currency translation effects of (5)% on revenue and orders, and portfolio effects of 19% and 17% on revenue and orders, respectively.

Group profit at Med climbed to 1.323 billion, 34% higher than in fiscal 2006, and Group profit margin rose to 13.4%. These results demonstrate the competitive strength and international success of Med s diagnostics imaging businesses, which increased their earnings and profitability compared to the prior year despite continuing market pressure in the U.S., including effects from the U.S. Deficit Reduction Act (DRA). Med s equity investment income in fiscal 2007 rose to 60 million from 27 million a year earlier, benefiting from a 23 million gain on the sale of a portion of its stake in a joint venture, Draeger Medical AG & Co. KG. These factors enabled Med to more than offset the loss of 1.8 percentage points from Group profit margin due to PPA effects of 91 million and integration costs of 84 million stemming from two major acquisitions. Diagnostic Products Corp. was acquired late in fiscal 2006 for approximately 1.4 billion, and a division of Bayer AG was acquired in the second quarter of fiscal 2007 for approximately 4.5 billion. Med saw a corresponding increase in amortization of intangible assets compared to fiscal 2006.

During fiscal 2007, Med integrated the two acquisitions mentioned above into its new Diagnostics division. This business provides a wide range of in-vitro solutions, which produce diagnostic information using samples taken from a patient s body and tested in a clinical laboratory. The Diagnostics division thus strongly complements Med s imaging businesses, which provide diagnostic information from images of organs and tissues within the body (in-vivo). With these two acquisitions Med created the first integrated diagnostic company. During fiscal 2007 Med announced a third acquisition for the Diagnostics division: Dade Behring, Inc., a leading clinical laboratory diagnostics company. The purchase price for this acquisition, which closed in the first quarter of fiscal 2008, was approximately $7 billion (5 billion).

The Diagnostics division brought significant new volume to Med in fiscal 2007. Orders raised 10%, to 10.271 billion and revenue climbed 20% year-over-year, to 9.851 billion, on double-digit growth in Germany and all major regions of the world.

Siemens IT Solutions and Services (SIS)

	Year ended September 30,		% Change	
	2007	2006	Actual	Adjusted*
	(in millions)			
Group profit	252	(731)		
Group profit margin	4.7%	(12.8)%		
New orders	5,156	5,574	(7)%	5%
Total revenue	5,360	5,693	(6)%	5%
External revenue	3,988	4,466	(11)%	
Therein:				
Germany	*1,498*	*1,788*	*(16)%*	
Europe (other than Germany)	*1,854*	*2,014*	*(8)%*	
Americas	*472*	*505*	*(7)%*	
Asia-Pacific	*98*	*75*	*31%*	
Africa, Near and Middle East, C.I.S.	*66*	*84*	*(21)%*	

* Excluding currency translation effects of (1)% on revenue and orders, and portfolio effects of (10)% and (11)% on revenue and orders, respectively.

Fiscal 2007 was the first year of operation for SIS, which combines the former Siemens Business Services (SBS) Group with the four software development entities Program and System Engineering (PSE), Siemens Information Systems Ltd. (SISL), Development Innovation and Projects (DIP) and the Business Innovation Center (BIC). Results for SIS are presented on a retroactive basis, to provide a meaningful comparison with prior periods.

Group profit of 252 million resulted largely from a significantly improved cost structure at SIS, following severance programs in prior-years, which in fiscal 2006 resulted in severance charges of 576 million. The severance charges were a major factor in the Group s loss of 731 million in fiscal 2006. Furthermore Group profit in fiscal 2007 benefited from more selective order intake. Equity investment income of 10 million in fiscal 2007 includes equity income related to BWI Informationstechnik GmbH, which has been set up in connection with the HERKULES project to modernize and manage the non-military information and communications technology of the German Federal Armed Forces. For additional information with respect to HERKULES, see Notes to Consolidated Financial Statements.

Revenue and orders of 5.360 billion and 5.156 billion, respectively, came in lower than the prior-year totals due to the divestment of the Group s Product Related Services (PRS) business halfway through fiscal 2006. For additional information with respect to the PRS divestment, see Notes to Consolidated Financial Statements. On an organic basis, revenue and orders were up 5% year-over-year. The percentage of the business volume conducted within Siemens rose to 26% from 22% in fiscal 2006. Externally, SIS conducted a large majority of its business in Europe (including Germany) in both years.

Strategic Equity Investments (SEI)

SEI includes results at equity from three companies in which Siemens holds a strategic equity stake: Nokia Siemens Networks B.V. (NSN), BSH Bosch und Siemens Hausgeräte GmbH (BSH), and Fujitsu Siemens Computers

(Holding) B.V. (FSC). In fiscal 2006, before NSN became part of SEI, equity investment income related to BSH and FSC was 225 million. In fiscal 2007, equity investment income related to BSH and FHC increased to 268 million. In contrast, NSN took 991 million in charges including 646 million for severance. As a result, Siemens equity investment income related to NSN was a negative 429 million, and fiscal 2007 equity investment income for SEI overall was a negative 161 million.

Other Operations

Other Operations consist of centrally held operating businesses not related to a Group, including Siemens Home and Office Communication Devices (SHC) and, in fiscal 2006, the distribution and industry logistics

(Dematic) businesses carved out of the former Logistics and Assembly Systems Group. Other Operations improved to a negative 193 million in fiscal 2007 compared to a negative 317 million in fiscal 2006, when the Dematic business lost 159 million and SHC also posted a negative result. In fiscal 2007, SHC turned its business around and contributed 13 million in profit for the year. Centrally carried regional costs not allocated to the Groups totaled 96 million in the current period, up from 59 million in the prior year. In addition, fiscal 2007 included an impairment of 52 million at a regional payphone company in Europe. Revenue for Other Operations for fiscal 2007 was 2.884 billion, down from 3.944 billion a year earlier primarily due to the Dematic divestment. Within these totals, revenue at SHC remained stable near 790 million.

Reconciliation to Financial Statements

Reconciliation to financial statements includes various categories of items, which are not allocated to the Groups because the Managing Board has determined that such items are not indicative of the performance of the individual Groups.

Corporate items, pensions and eliminations

Corporate items, pensions and eliminations was a negative 1.672 billion in fiscal 2007 compared to a negative 527 million a year earlier. The major factor in this change was Corporate items, which increased to a negative 1.728 billion from a negative 553 million in fiscal 2006 due largely to 843 million in costs related to legal and regulatory matters. Within this figure, significant effects included 440 million stemming from sanctions on major suppliers of gas-isolated switchgear, 152 million in expenses for outside experts engaged to assist with internal and external investigations, and 81 million in funding primarily for job placement companies for former Siemens employees affected by the bankruptcy of BenQ Mobile GmbH & Co. OHG (BenQ). Corporate items also included higher expenses related to a major asset retirement obligation. Finally, Corporate items in fiscal 2007 also includes 106 million related to Siemens regional sales organization in Germany, primarily including an impairment. A year earlier, Corporate items benefited from a 95 million gain on the sale of an investment, as well as 70 million in positive effects from settlement of an arbitration proceeding.

Other interest expense

Other interest expense of Operations for fiscal 2007 was 497 million compared to interest expense of 325 million a year earlier. The change was mainly due to increased intra-company financing of Operations by Corporate Treasury year-over-year.

Financing and Real Estate

Siemens Financial Services (SFS)

	Year ended September 30,		
	2007	**2006**	**% Change**
	(in millions)		
Income before income taxes	329	306	8%
Total assets	8,912	10,543	(15)%

Income before income taxes (IBIT) at SFS rose to 329 million in fiscal 2007 from 306 million in fiscal 2006. The current year benefited from gains on sales of shares in the Equity division and special dividends resulting from divestment gains by a company in which SFS holds an equity position. IBIT in the prior period included the special dividend mentioned above. Total assets declined compared to the end of fiscal 2006, due to a significant reduction in accounts receivable related to the carve-out of SV and the transfer of carrier activities into NSN.

With respect to the capital structure of SFS, see Capital Resources and Requirements Contractual Obligations.

Siemens Real Estate (SRE)

	Year ended September 30, 2007	2006	% Change
	(in millions)		
Income before income taxes	228	115	98%
Revenue	1,686	1,705	(1)%
Total assets	3,091	3,221	(4)%

Income before income taxes at SRE was 228 million in fiscal 2007, compared to 115 million in the prior year. A year earlier, SRE s results included significantly higher vacancy charges and a lower level net gains from real estate disposals.

With respect to the capital structure of SRE, see Capital Resources and Requirements Contractual Obligations.

Eliminations, reclassifications and Corporate Treasury

Income before income taxes from eliminations, reclassifications and Corporate Treasury was 153 million in fiscal 2007 compared to a negative 18 million in fiscal 2006. The difference is due mainly to negative net effects in the prior year from a mark-to-market valuation of a cash settlement option associated with 2.5 billion of convertible bonds issued in 2003.

Economic Value Added

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, whereas a negative EVA means that a business has earned less than its cost of capital. Depending on the EVA development year-over-year, a business is defined as value-creating or value-destroying. Other companies that use EVA may define and calculate EVA differently.

Fiscal 2006 Compared to Fiscal 2005

Consolidated Operations Of Siemens

Results of Siemens

The following discussion presents selected information for Siemens for the fiscal years ended:

	New Orders (location of customer)		
	Year ended September 30,	% Change vs. previous year	therein

	2006	2005	Actual	Adjusted*	Currency	Portfolio
	(in millions)					
Germany	12,782	12,544	2%	(2)%	0%	4%
Europe (other than Germany)	22,351	19,475	15%	5%	0%	10%
Americas	20,202	16,854	20%	7%	5%	8%
Asia-Pacific	11,250	8,853	27%	13%	3%	11%
Africa, Near and Middle East, C.I.S.	8,359	5,587	50%	38%	1%	11%
Siemens	**74,944**	**63,313**	**18%**	**7%**	**2%**	**9%**

	Revenue (location of customer)					
	Year ended September 30,		% Change vs. previous year		therein	
	2006	2005	Actual	Adjusted*	Currency	Portfolio
	(in millions)					
Germany	12,382	11,788	5%	2%	0%	3%
Europe (other than Germany)	20,489	18,064	13%	3%	0%	10%
Americas	18,371	14,857	24%	14%	4%	6%
Asia-Pacific	9,457	7,175	32%	20%	2%	10%
Africa, Near and Middle East, C.I.S.	5,788	3,897	49%	32%	0%	17%
Siemens	**66,487**	**55,781**	**19%**	**10%**	**1%**	**8%**

* Excluding currency translation and portfolio effects.

Orders in fiscal 2006 were 74.944 billion, a 18% increase from 63.313 billion in the prior year. A majority of the Groups in Operations posted double-digit growth in orders compared to fiscal 2005. Revenues of 66.487 billion were up 19% from 55.781 billion a year earlier, led by substantial increases at I&S, A&D, PTD and PG. Excluding currency translation and the net effect of acquisitions and dispositions (organic growth), orders climbed 7% and revenue rose 10% year-over-year. Growth was driven by international markets, where major orders were both numerous and well-distributed. International orders were up 22% year-over-year, to 62.162 billion; international revenue rose 23%, to 54.105 billion. In Germany, orders were up 2% and revenues increased 5% year-over-year, to 12.782 billion and 12.382 billion, respectively, primarily due to acquisitions between the periods under review.

On a regional basis, international growth was fastest in Middle East/Africa/C.I.S., including a 50% rise in orders, to 8.359 billion, and a 49% increase in revenue, to 5.788 billion. Growth was nearly as rapid in Asia-Pacific, where orders climbed 27%, to 11.250 billion, and revenue rose 32%, to 9.457 billion. Within Asia-Pacific, orders in China increased 25%, to 4.357 billion, and revenue was up 44%, at 3.667 billion. Orders in India rose 72%, to 1.757 billion, and revenue climbed 52%, to 1.034 billion. In the Americas, orders and revenue grew 20% and 24%, respectively, benefiting from strong portfolio and currency translation effects. Within this trend, the U.S. posted orders of 15.819 billion and revenue of 14.609 billion, for increases of 20% and 21%, respectively. In Europe outside Germany, orders and revenue increased by 15% and 13%, to 22.351 billion and 20.489 billion, respectively, benefiting strongly from portfolio effects.

	Year ended September 30,		
	2006	2005	% Change
	(in millions)		
Gross profit on revenue	17,379	15,683	11%
as percentage of revenue	*26.1%*	*28.1%*	

Gross profit for fiscal 2006 increased 11% year-over-year, as a majority of the Groups in Operations increased both revenues and profit compared to fiscal 2005. In contrast, gross profit margin declined to 26.1% from 28.1% a year earlier. Major factors were a sharp decline at PG, which took substantial charges in its fossil power generation business, and lower gross profit margins at SIS, which took higher severance charges compared to a year earlier.

	Year ended September 30,		
	2006	**2005**	**% Change**
	(in millions)		
Research and development expenses	(3,091)	(2,750)	12%
as percentage of revenue	*4.6%*	*4.9%*	
Marketing, selling and general administrative expenses	(11,897)	(10,316)	15%
as percentage of revenue	*17.9%*	*18.5%*	
Other operating income	629	550	14%
Other operating expense	(260)	(422)	(38)%
Income from investments accounted for using the equity method, net	404	516	(22)%
Financial income (expense), net	254	333	(24)%

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Research and development expenses increased to 3.091 billion from 2.750 billion in the prior year. Due to the significant increase in our revenue year-over-year, R&D expenses as a percent of revenue declined to 4.6% from 4.9% in fiscal 2005. Marketing, selling and administrative expenses also declined as a percent of revenue, to 17.9% from 18.5% a year earlier, even as expenses rose to 11.897 billion from 10.316 billion.

Other operating income was 629 million in fiscal 2006, compared to 550 million a year earlier. Gains on sales of property, plant and equipment and intangibles in fiscal 2006 were higher year-over-year. This increase was partially offset due to lower gains on disposals of businesses. Other operating income include in fiscal 2006 a gain of 70 million related to the settlement of an arbitration proceeding.

Other operating expense decreased from 422 million in fiscal 2005 to 260 million in fiscal 2006, due to a goodwill impairment of 262 million at SIS in fiscal 2005.

Income from investments accounted for using the equity method, net decreased to 404 million from 516 million a year earlier, due to a lower share of profit in fiscal 2006.

Financial income, net was 254 million compared to 333 million a year earlier. Higher gains on sales, net from available-for-sale financial assets and a higher expected return on plan assets from pension plans and similar commitments could not compensate higher interest expenses and the decrease in other financial income, net.

	Year ended September 30,		
	2006	2005	% Change
	(in millions)		
Income from continuing operations before income taxes	3,418	3,594	(5)%
Income taxes	(776)	(781)	(1)%
as percentage of income from continuing operations before income taxes	*23%*	*22%*	
Income from continuing operations	2,642	2,813	(6)%
Income (loss) from discontinued operations, net of income taxes	703	(237)	
Net income	3,345	2,576	30%
Net income attributable to Minority interest	210	160	31%
Net income attributable to Shareholders of Siemens AG	3,135	2,416	30%

Income from continuing operations before income taxes was 3.418 billion in fiscal 2006, compared to 3.594 billion a year earlier, as severance charges at SIS increased to 576 million compared to 228 million in the prior year.

Income from continuing operations in fiscal 2006 was 2.642 billion, down 6% from 2.813 billion in fiscal 2005, due to a decreased income from continuing operations before income taxes. The effective tax-rate increased to 23% in fiscal 2006 compared to 22% in the prior year. Income tax expenses include adjustments related to the previously reported compliance investigation. Accordingly, payments were identified that were recorded as deductible business expenses in prior periods in determining income tax provisions. The Company s investigation determined that certain of these payments were non-deductible under tax regulations of Germany and other jurisdictions.

Income (loss) from discontinued operations, net of income taxes was a positive with 703 million in fiscal 2006 compared to a loss of 237 million a year earlier. In fiscal 2006 and fiscal 2005 discontinued operations included particularly the historical results of the former operating Group SV as well as of the enterprise networks business and carrier related operations. In addition fiscal 2005 included in discontinued operations the historical results of the mobile devices operations of the former operating Group Com, which had a negative effect of 542 million in fiscal 2005. For additional information with respect to discontinued operations, see Notes to Consolidated Financial Statements. Net income was 3.345 billion, up 30% from 2.576 billion in fiscal 2005. Net income attributable to Minority interest increased from 160 million in fiscal 2005 to 210 million in fiscal 2006. Net income attributable to Shareholders of Siemens AG was 3.135 billion, up 30% from 2.416 billion in fiscal 2005.

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Segment Information Analysis

Operations

Automation and Drives (A&D)

	Year ended September 30,		% Change	
	2006	2005	Actual	Adjusted*
	(in millions)			
Group profit	1,575	1,287	22%	
Group profit margin	12.1%	12.2%		
Revenue	13,041	10,538	24%	10%
New orders	14,312	10,840	32%	14%

* Excluding currency translation effects of 1% and 2% on revenue and orders, respectively, and portfolio effects of 13% and 16% on revenue and orders, respectively.

A&D delivered Group profit of 1.575 billion, up 22% compared to the prior year even as the Group made significant investments to build up distribution in major growth markets. Acquisitions made late in fiscal 2005 and early fiscal 2006 contributed to earnings growth for the year. Revenue for fiscal 2006 overall rose 24%, to 13.041 billion, and orders climbed 32%, to 14.312 billion, as the Group added acquired volume to organic growth on a Group-wide basis. Demand was well distributed regionally, including topline growth in Asia-Pacific well above 50% year-over-year.

Industrial Solutions and Services (I&S)

	Year ended September 30,		% Change	
	2006	2005	Actual	Adjusted*
	(in millions)			
Group profit	282	170	66%	
Group profit margin	3.2%	2.7%		
Revenue	8,819	6,307	40%	14%
New orders	9,025	7,189	26%	(2)%

* Excluding currency translation effects of 2% on revenue and orders, and portfolio effects of 24% and 26% on revenue and orders, respectively.

Group profit at I&S rose to 282 million, up 66% compared to the prior year, due primarily to the metallurgy business included in the VA Tech acquisition in the fourth quarter of fiscal 2005. Profitability improved in part due to sales channel synergy associated with the acquisition. Revenue for the fiscal year rose 40%, to 8.819 billion, including double-digit organic growth, and orders were up 26%, at 9.025 billion. For comparison, the prior year included a particularly large order in the fourth quarter.

Siemens Building Technologies (SBT)

	Year ended September 30,		% Change	
	2006	2005	Actual	Adjusted*
	(in millions)			
Group profit	223	185	21%	
Group profit margin	4.6%	4.2%		
Revenue	4,796	4,415	9%	7%
New orders	5,235	4,518	16%	13%

* Excluding currency translation effects of 1% and 2% on revenue and orders, respectively, and portfolio effects of 1% on revenue and orders.

In fiscal 2006, SBT continued to improve its profitability, posting a 21% increase in Group profit to 223 million. The Group s fire safety and security business contributed strongly to the increase in Group profit.

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Revenue for the year rose 9% compared to the prior year, to 4.796 billion, and orders climbed 16% to 5.235 billion. All the Group s divisions contributed to business growth, including greater penetration of their installed base and success in services.

Osram

	Year ended September 30, 2006	2005	% Change Actual	Adjusted*
	(in millions)			
Group profit	456	456	0%	
Group profit margin	10.0%	10.6%		
Revenue	4,563	4,300	6%	4%
New orders	4,563	4,300	6%	4%

* Excluding currency translation effects of 2% on revenue and orders.

In fiscal 2006, Osram stepped up its commitment to its fastest-growing regional markets, including the build-out of a new regional office and expanded revenue efforts in Asia-Pacific. The Group also increased up-front investments in innovative products. Group profit was stable year-over-year while revenue and orders rose 6%, to 4.563 billion, on regionally balanced growth.

Transportation Systems (TS)

	Year ended September 30, 2006	2005	% Change Actual	Adjusted*
	(in millions)			
Group profit	72	43	67%	
Group profit margin	1.6%	1.0%		
Revenue	4,493	4,186	7%	5%
New orders	6,173	4,599	34%	32%

* Excluding currency translation effects of 1% on orders, and portfolio effects of 2% and 1% on revenue and orders, respectively.

TS posted a solid increase in earnings in fiscal 2006, on improved project execution. Group profit of 72 million was up 67% year-over-year. Group profit in both years included charges related to major projects that are now moving toward or into the latter stages of completion. Broad-based growth increased revenue for TS overall by 7%, to 4.493 billion. The Group s order backlog continued to rise on a 34% increase in orders, to 6.173 billion, including especially high order volume in the first quarter. Highlights for the full year include large contracts for trains in China, Russia (including a substantial maintenance contract), Spain and Austria.

Power Generation (PG)

	Year ended September 30,		% Change	
	2006	2005	Actual	Adjusted*
	(in millions)			
Group profit	779	969	(20)%	
Group profit margin	7.7%	12.0%		
Revenue	10,086	8,061	25%	19%
New orders	12,532	10,964	14%	5%

* Excluding currency translation effects of 1% on revenue and orders, and portfolio effects of 5% and 8% on revenue and orders, respectively.

A combination of focused acquisitions and robust organic growth, particularly in the fossil power generation business, generated a 25% increase in revenue year-over-year, to 10.086 billion. Orders of 12.532 billion were up

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14% compared to fiscal 2005, including a very large fossil power generation contract in the Middle East. The wind power business significantly increased its earnings and profit margin, and won two large contracts in the U.S. that nearly tripled orders year-over-year. Revenue and orders for the year also include the acquisition of Wheelabrator, a provider of emissions reduction technology for the energy industry. PG s fossil power generation business saw a significant decline in earnings in fiscal 2006, due in part to the bankruptcy of a consortium partner and charges related to major projects. In addition, equity earnings from PG s stake in a European joint venture declined by 95 million and turned negative. These factors limited Group profit for PG overall to 779 million compared to 969 million a year earlier.

Power Transmission and Distribution (PTD)

	Year ended September 30,		% Change	
	2006	2005	Actual	Adjusted*
	(in millions)			
Group profit	315	218	44%	
Group profit margin	4.8%	5.1%		
Revenue	6,509	4,250	53%	27%
New orders	8,028	5,283	52%	29%

* Excluding currency translation effects of 3% and 4% on revenue and orders, respectively, and portfolio effects of 23% and 19% on revenue and orders, respectively.

In fiscal 2006, PTD recorded rapid growth in Group profit, revenue and orders in a strong global market for secure, high-efficiency power transmission and distribution. Group profit rose 44%, to 315 million for the year, as PTD leveraged improved operating performance into a much larger revenue base resulting from its portion of the VA Tech acquisition. For comparison, the prior year included charges related to a project in the CIS and charges for capacity adjustments at a transformer facility in Germany. Revenue rose 53%, to 6.509 billion, and orders increased 52%, to 8.028 billion, on a balance of Group-wide organic growth and acquired volume.

Medical Solutions (Med)

	Year ended September 30,		% Change	
	2006*	2005*	Actual	Adjusted**
	(in millions)			
Group profit	988	894	11%	
Group profit margin	12.0%	11.7%		
Revenue	8,227	7,626	8%	5%
New orders	9,334	8,641	8%	6%

* Group profit has been adjusted. For further information see Notes to Consolidated Financial Statements.

** Excluding currency translation effects of 2% and 1% on revenue and orders, respectively, and portfolio effects of 1% on revenue and orders.

Med was again a top earnings performer, with 988 million in Group profit in fiscal 2006. Broad-based earnings increases in the Group s diagnostics imaging businesses more than offset increases in R&D investments compared to the prior year. CTI Molecular Imaging, Inc. (CTI), acquired in the third quarter of fiscal 2005, also contributed to earnings growth for the year. Revenue and orders both rose 8% compared to a year earlier, to 8.227 billion and 9.334 billion, respectively.

Siemens IT Solutions and Services (SIS)

	Year ended September 30,		% Change	
	2006	2005	Actual	Adjusted*
	(in millions)			
Group profit	(731)	(676)	8%	
Group profit margin	(12.8)%	(11.6)%		
Revenue	5,693	5,849	(3)%	2%
New orders	5,574	7,017	(21)%	(14)%

* Excluding currency translation effects of 1% on revenue and orders, and portfolio effects of (6)% and (8)% on revenue and orders, respectively.

SIS widened its loss year-over-year to 731 million, including 576 million in severance charges. For comparison, the prior year included a goodwill impairment of 262 million in the Operation Related Services (ORS) business and 228 million in severance charges, only partly offset by a 26 million gain on the sale of an investment. As part of its strategic reorientation, SIS divested its PRS business midway through the fiscal year. For further information on the sale of PRS see Notes to Consolidated Financial Statements. Fiscal 2006 revenue of 5.693 billion were consequently lower than the level a year earlier. Orders of 5.574 billion were also lower than the prior-year level, due to the PRS divestment, as well as more selective order intake and a reduction in major orders year-over-year.

Strategic Equity Investments (SEI)

In fiscal 2006 and 2005, SEI includes results at equity from two companies in which Siemens holds a strategic equity stake: BSH and FSC. SEI overall recorded equity investment income of 225 million for fiscal 2006 compared to 171 million in the prior-year period.

Other Operations

Other Operations consist of centrally held operating businesses not related to a Group, such as joint ventures and equity investments. In fiscal 2006, Other Operations included SHC, which was carved out of Com, and Dematic, which was carved out of the former Logistics and Assembly Systems (L&A) Group. Other Operations also included a portion of the VA Tech acquisition. In aggregate, revenue from Other Operations was 3.944 billion compared to 3.484 billion in the prior year, with VA Tech accounting for much of the increase. A significant portion of our Dematic business was divested at a loss of 32 million in the fourth quarter. Group profit from Other Operations was a negative 317 million compared to a negative 148 million a year earlier. SHC posted a loss compared to positive earnings in fiscal 2005 and Dematic recorded losses in both periods including the loss on the sale in fiscal 2006.

Reconciliation to Financial Statements

Reconciliation to financial statements includes various categories of items, which are not allocated to the Groups because the Managing Board has determined that such items are not indicative of Group performance.

Corporate items, pensions and eliminations

Corporate items, pensions and eliminations totaled a negative 527 million in fiscal 2006 compared to a negative 618 million in fiscal 2005. Corporate items were a negative 553 million in fiscal 2006 compared to a negative 647 million a year earlier. Within Corporate items, a significant investment in information technology increased central costs in fiscal 2006 compared to the prior year. Corporate items benefited in fiscal 2006 from a gain of 95 million on the sale of an investment and 70 million in positive effects from settlement of an arbitration proceeding. Revenue of marketable securities produced gains including 33 million on the sale of Infineon shares and 15 million on the sale of shares in Epcos AG (Epcos), partly offset by a 20 million impairment on shares in BenQ Corporation. In contrast, fiscal 2005 included higher expenses related to a major asset retirement obligation.

Other interest expense

Other interest expense of Operations for fiscal 2006 was 325 million compared to interest expense of 175 million a year earlier. The change was mainly due to increased intra-company financing of Operations by Corporate Treasury year-over-year.

Financing and Real Estate

Siemens Financial Services (SFS)

	Year ended September 30,		%
	2006	2005	Change
	(in millions)		
Income before income taxes	306	319	(4)%
Total assets	10,543	10,162	4%

Income before income taxes at SFS was 306 million in fiscal 2006 compared to 319 million a year earlier. While both periods included a special dividend related to an investment, the prior year also benefited from gains on the sale of an investment and the sale of a 51% stake in the real estate funds management business of Siemens Kapitalanlagegesellschaft mbH (SKAG). Total assets at the end of fiscal 2006 were 4% higher than at the end of the prior year due to expansion of the leasing business.

Siemens Real Estate (SRE)

	Year ended September 30,		%
	2006	2005	Change
	(in millions)		
Income before income taxes	115	131	(12)%
Revenue	1,705	1,621	5%
Total assets	3,221	3,490	(8)%

Income before income taxes at SRE was 115 million in fiscal 2006, compared to 131 million a year earlier. While gains on sale of real estate increased year-over-year, SRE s results for the year were influenced by higher costs for development projects and vacancy, as well as lower rental income in Germany. Total assets declined 8% primarily due to real estate disposals.

Eliminations, reclassifications and Corporate Treasury

In fiscal 2006, income before taxes from eliminations, reclassifications and Corporate Treasury was a negative 18 million compared to a positive 368 million a year earlier. The main factors for the difference were the mark-to-market valuation of the cash settlement option associated with the 2.5 billion convertible bond issued by Siemens in 2003 and negative effects from derivative activities not qualifying for hedge accounting at Corporate Treasury, only partly offset by increased interest income from intra-company financing.

Liquidity and Capital Resources

Financial Strategy and Capital Structure

Financial Strategy

Siemens is committed to a strong financial profile, which gives us the financial flexibility to achieve our growth and portfolio optimization goals.

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Our principal source of Company financing are cash inflows from operating activities. Our Corporate Treasury generally manages cash and cash equivalents for the entire Company and has primary responsibility for raising funds in the capital markets for the entire Company, including the Financing and Real Estate component, except in countries with conflicting capital market controls. In these countries, the relevant Siemens subsidiary companies obtain financing primarily from local banks. At September 30, 2007 Siemens held 4.005 billion in cash and cash equivalents in various currencies of which approximately 68% were managed by Corporate Treasury. Corporate Treasury carefully manages investments of cash and cash equivalents subject to strict credit requirements and counterparty limits. In addition, Corporate Treasury lends funds via intragroup financing to the Operations and Financing and Real Estate components. This intragroup financing, together with intragroup liabilities between the components, is shown under intragroup liabilities in the balance sheets. Under this approach, at September 30, 2007, 2.886 billion of such intragroup financing was directly attributable to the Financing and Real Estate component and the remainder to the Operations component. At September 30, 2007, the Financing and Real Estate component additionally held 180 million in short-term and 411 million in long-term debt from external sources.

In addition to the sources of liquidity described below, we monitor funding options available in the capital markets, as well as trends in the availability and cost of such funding, with a view to maintaining financial flexibility and limiting repayment risk.

Capital Structure

As of September 30, 2007 and 2006, our capital structure was as follows:

	September 30,		
	2007	2006	% Change
	(in millions)		
Total equity	**28,996**	**25,193**	**15%**
As a % of total capital	65%	62%	
Short-term debt	5,637	2,175	
Long-term debt	9,860	13,122	
Total debt	**15,497**	**15,297**	**1%**
As a % of total capital	35%	38%	
Total capital (total debt and total equity)	**44,493**	**40,490**	**10%**

In fiscal 2007, total equity increased by 15% compared to fiscal 2006 primarily due to an increase in retained earnings. Total debt increased during the last fiscal year by 1%. This resulted in an increase in equity as a percentage of total capital to 65% compared to 62% in fiscal 2006. Debt as a percentage of total capital decreased to 35% from 38% in the prior year.

Siemens is not subject to any statutory capital requirements. Commitments exist to sell or otherwise issue common shares in connection with established share-based payment plans. In fiscal 2007, commitments for share-based payment were fulfilled through capital increases. Beginning in fiscal 2008, we plan to fulfill commitments for share-based compensation through repurchases of the Company s shares. For additional information with respect to stock-based compensation and treasury shares, see Notes to Consolidated Financial Statements.

Ratings

A key factor in maintaining a strong financial profile is Siemens credit rating, which is affected among other factors by the capital structure, the ability to generate cash flow, geographic and product diversification, as well as our competitive market position. Our current corporate credit ratings from Moody s Investors Service and Standard & Poor s are noted below:

	Moody s Investors Service	**Standard & Poor s**
Long-term debt	A1	AA–
Short-term debt	P-1	A-1+

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On November 9, 2007, Moody s Investors Service downgraded Siemens long-term corporate credit rating from Aa3 to A1 and set our outlook from negative to stable. The rating action followed our announcements regarding the share-buyback program and capital structure target mentioned above. The rating classification of A1 is the third highest rating within the agency s debt ratings category. The numerical modifier 1 indicates that our long-term debt ranks in the higher end of the A category. The Moody s rating outlook is an opinion regarding the likely direction of an issuer s rating over the medium-term. Rating outlooks fall into the following six categories: positive, negative, stable, developing, ratings under review and no outlook.

Moody s Investors Service s rating for our short-term corporate credit and commercial paper is P-1, the highest available rating in the prime rating system, which assesses issuers ability to honor senior financial obligations and contracts. It applies to senior unsecured obligations with an original maturity of less than one year.

In addition, Moody s Investors Service published a credit opinion. The most recent credit opinion for Siemens as of November 13, 2007 classified the liquidity profile of the Company as very healthy.

Standard & Poor s rates our long-term corporate credit AA . On June 15, 2007 Standard & Poor s resolved the CreditWatch negative, dated April 26, 2007 and kept a negative outlook. Within Standard & Poor s long-term issue and issuer credit ratings, an obligation rated AA has the second highest rating category assigned. The modifier indicates that our long-term debt ranks in the lower end of the AA category. The Standard & Poor s rating outlook is an opinion regarding the likely direction of an issuer s rating over the medium-term. Rating outlooks fall into the following four categories: Positive, Negative, Stable and Developing. Outlooks have a time frame of typically two years. Ratings appear on CreditWatch when an event or deviation from an expected trend has occurred or is expected, and additional information is necessary to take a rating action. A rating review will normally be completed within approximately 90 days, unless the outcome of a specific event is pending.

Our short-term debt and commercial paper is rated A-1+ within Standard & Poor s short-term issue credit ratings, giving Siemens the highest-ranking short-term rating.

Siemens has no other agreements with nationally recognized statistical rating organizations to provide long-term and short-term credit ratings.

Please be advised that security ratings are not a recommendation to buy, sell or hold securities. Credit ratings may be subject to revision or withdrawal by the rating agencies at any time. You should evaluate each rating independently of any other rating.

Cash Flow Fiscal 2007 Compared to Fiscal 2006

The following discussion presents an analysis of Siemens cash flows for fiscal 2007 and 2006. The first table presents cash flows for continuing and discontinued operations. The latter category includes cash flows relating to Siemens enterprise networks business, which is held for sale, the carrier-related business, which was transferred into NSN, the Mobile Devices business sold to BenQ Corporation, and SV, which is held for sale pending the closing of its sale to Continental AG. For further information on discontinued operations, see Notes to Consolidated Financial Statements. The second table focuses on cash flows from continuing operations for the components of Siemens.

Since the third quarter of fiscal 2007, Siemens reports free cash flow, defined as net cash provided by (used in) operating activities less cash used for additions to intangible assets and property, plant and equipment. We believe this measure is helpful to our investors as an indicator of our ability to generate cash from operations and to pay for discretionary and non-discretionary expenditures not included in the measure, such as dividends, debt repayment or strategic investments. We also use free cash flow to compare cash generation among the segments (for further information, refer to Consolidated Financial Statements Segment Information).

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		Continuing operations		Discontinued operations		Continuing and discontinued operations	
		Year ended September 30,					
		2007	2006	2007	2006	2007	2006
		(in millions)					
Net cash provided by (used in):							
Operating activities	A	9,822	5,003	(2,494)	656	7,328	5,659
Investing activities		(10,068)	(4,315)	(1,289)	(381)	(11,357)	(4,696)
Herein: Additions to intangible assets and property, plant and equipment	B	(3,067)	(3,183)	(684)	(869)	(3,751)	(4,052)
Free cash flow*	**A+B**	**6,755**	**1,820**	**(3,178)**	**(213)**	**3,577**	**1,607**

* The closest comparable financial measure under IFRS is Net cash provided by (used in) operating activities. Net cash provided by (used in) operating activities from *continuing operations* as well as from *continuing and discontinued operations* is reported within the Consolidated Statements of Cash Flow for Siemens as a whole as well as for the components of Siemens (see table below). Refer to Notes to the Consolidated Financial Statements for information on the reconciliation of cash flow used for Additions to intangible assets and property, plant and equipment as reported in this table and the table below into the line item Additions to intangible assets and property, plant and equipment as reported within the Consolidated Statements of Cash Flow. Other companies that use Free cash flow may define and calculate Free cash flow differently.

Operating activities provided net cash of 7.328 billion in fiscal 2007, compared to 5.659 billion in fiscal 2006. These results include both continuing operations and discontinued operations. Within the total, continuing operations provided net cash of 9.822 billion, up from 5.003 billion a year earlier. Discontinued operations used net cash of 2.494 billion in the current period, including a build-up of net working capital, particularly receivables as well as 640 million tax payments related to the carve-out of SV. A year earlier, discontinued operations provided net cash of 656 million.

Investing activities used net cash of 11.357 billion in fiscal 2007, a substantial increase from 4.696 billion in the prior-year period. Within these results, continuing operations were the primary factor in the change year-over-year, using net cash of 10.068 billion compared to net cash used of 4.315 billion in the same period a year earlier. Discontinued operations used net cash of 1.289 billion compared to net cash used of 381 million in the prior-year period, which benefited from 465 million in proceeds from the sale of our shares in Juniper Networks, Inc (Juniper).

		Operations		SFS, SRE and Corporate Treasury*		Siemens	
		Year ended September 30,					
Continuing operations		2007	2006	2007	2006	2007	2006
		(in millions)					
Net cash provided by (used in):							
Operating activities	A	6,407	3,405	3,415	1,598	9,822	5,003

Investing activities		(9,262)	(2,995)	(806)	(1,320)	(10,068)	(4,315)
Herein: Additions to intangible assets and property, plant and equipment	B	(2,313)	(2,415)	(754)	(768)	(3,067)	(3,183)
Free cash flow	**A+B**	**4,094**	**990**	**2,661**	**830**	**6,755**	**1,820**

* Also includes eliminations and reclassifications.

Operating activities provided net cash within continuing Operations of 6.407 billion in fiscal 2007, substantially up from 3.405 billion the year before. This increase was driven by a significant higher income from continuing operations year-over-year as well as by a substantial improvement in net working capital compared to the prior-year period. Accordingly, cash outflows relating to net inventories improved especially at I&S and SBT and current liabilities increased primarily due to advanced payments at PG. The current period also includes payments of 431 million relating to the antitrust investigation involving suppliers of high-voltage gas-isolated switching systems mentioned earlier, while the prior period included substantially higher cash outflows related to severance payments at SIS. Within Financing and Real Estate and Corporate Treasury, the change year-over-year in net cash provided by operating activities from continuing operations was due primarily to accounts receivable related to the carve-outs of SV and the carrier activities transferred into NSN. For Siemens overall, net cash provided by operating activities on a continuing basis amounted to 9.822 billion in fiscal 2007 compared to 5.003 billion in fiscal 2006.

Investing activities in continuing operations used 9.262 billion within Operations in fiscal 2007. Thereof, net cash outflows for acquisitions amounted to 7.334 billion, including approximately 4.2 billion spent for the Bayer acquisition at Med and approximately 2.7 billion spent for the acquisition of UGS Corp. at A&D. During the prior period, investing activities in continuing operations used net cash of 2.995 billion, benefiting from 1.127 billion in net proceeds from the sale of our shares in Infineon Technologies AG (Infineon). Net cash outflows for acquisitions amounted to 2.049 billion in fiscal 2006, including the acquisition of DPC at Med with approximately 1.3 billion net of 94 million cash acquired, as well as Electrium at A&D, Bewator at SBT, and the coal gasification business of Sustec-Group and Wheelabrator at PG with a combined preliminary purchase price of approximately 0.4 billion. Investing activities on a continuing basis at Corporate Treasury and Financing and Real Estate used net cash of 806 million in fiscal 2007 compared to 1.320 billion in the prior period. The change year-over-year is mainly related to available-for-sale financial assets. For Siemens overall, net cash used in investing activities in continuing operations increased to 10.068 billion in fiscal 2007 from 4.315 billion in fiscal 2006.

Free cash flow from continuing operations for Siemens was 6.755 billion for fiscal 2007, a significant increase from 1.820 billion in the same period a year earlier. The change year-over-year is due to the increase in net cash provided by operating activities mentioned above, combined with lower capital expenditures (CAPEX), defined as spending for additions to intangible assets and property, plant and equipment. Accordingly, cash flow used for CAPEX decreased to 3.067 billion, down from 3.183 billion a year before, especially due to reduced spendings at TS, SIS and PG.

Financing activities from continuing and discontinued operations in fiscal 2007 used net cash of 1.187 billion compared to net cash provided of 1.206 billion in fiscal 2006.

In the current period, changes in short-term debt provided net cash of 4.386 billion, mainly due to the issuance of commercial paper and medium term notes. These cash inflows were compensated by cash outflows for the repayment of long-term debt amounting to 4.595 billion in the current period, including approximately 3.2 billion in cash used for the redemption of the outstanding notes of the convertible bond mentioned earlier as well as by cash used for the redemption of a CHF250 million bond and a 991 million bond. Dividends paid to shareholders increased in the current period to 1.292 billion.

Financing activities in fiscal 2006 were characterized by substantial raising of long-term debt, totaling 6.701 billion. This included the issuance of two tranches of U.S. dollar-denominated bonds totaling U.S.$1.0 billion (0.8 billion). Further we issued four tranches of U.S. dollar-denominated bonds totaling U.S.$5.0 billion (3.9 billion), as well as a hybrid bond in two tranches, one denominated in euros (nominal 900 million) and one denominated in British pounds (nominal £750 million, or 1.1 billion). Repayment of long-term debt used 1.710 billion in cash in fiscal 2006, including a 1.6 billion payment for a bond, which was due on July 4, 2006. The repayment of commercial paper programs was the major effect for cash outflows of 1.762 billion related to changes in short term debt. Dividends paid to shareholders amounted to 1.201 billion in fiscal 2006.

Cash Flow Fiscal 2006 Compared to Fiscal 2005

The following discussion presents an analysis of Siemens cash flows for fiscal 2006 and 2005. The first table presents cash flow for continuing and discontinued operations. In order to ensure comparability with the cash flow discussion for fiscal 2007, the latter category includes cash flows relating to Siemens enterprise networks business, which is held for sale, the carrier-related business, which was transferred into NSN, the Mobile Devices business sold to BenQ Corporation as well as SV, which is held for sale pending the closing of its sale to Continental AG. For further information on discontinued operations, see Notes to Consolidated Financial Statements. The second table focuses on cash flow from continuing operations for the components of Siemens.

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		Continuing operations		Discontinued operations		Continuing and discontinued operations	
		Year ended September 30,					
		2006	2005	2006	2005	2006	2005
		(in millions)					
Net cash provided by (used in):							
Operating activities	A	5,003	3,198	656	444	5,659	3,642
Investing activities		(4,315)	(5,052)	(381)	(852)	(4,696)	(5,904)
Herein: Additions to intangible assets and property, plant and equipment	B	(3,183)	(2,670)	(869)	(954)	(4,052)	(3,624)
Free cash flow	**A+B**	**1,820**	**528**	**(213)**	**(510)**	**1,607**	**18**

Operating activities provided net cash of 5.659 billion in fiscal 2006, compared to 3.642 billion in fiscal 2005. These results include both continuing operations and discontinued operations. Within the total, continuing operations provided net cash of 5.003 billion, up from 3.198 billion a year earlier. Discontinued operations provided net cash of 656 million in fiscal 2006, compared to 444 million a year earlier.

Investing activities used net cash of 4.696 billion in fiscal 2006, down from 5.904 billion in the prior-year period. Within these results, continuing operations were the primary factor in the change year-over-year, using net cash of 4.315 billion compared to net cash used of 5.052 billion in the same period a year earlier. In fiscal 2006, discontinued operations used net cash of 381 million, benefiting from 465 million in proceeds from the sale of our shares in Juniper Networks, Inc., compared to net cash used of 852 million in the prior-year period. In accordance with the contracts relating to the sale of the mobile devices business, cash outflows for operating and investing activities in fiscal 2006 included payments for product platform transition.

		Operations		SFS, SRE and Corporate Treasury*		Siemens	
		Year ended September 30,					
Continuing operations		2006	2005	2006	2005	2006	2005
		(in millions)					
Net cash provided by (used in):							
Operating activities	A	3,405	2,322	1,598	876	5,003	3,198
Investing activities		(2,995)	(4,133)	(1,320)	(919)	(4,315)	(5,052)
Herein: Additions to intangible assets and property, plant and equipment	B	(2,415)	(1,997)	(768)	(673)	(3,183)	(2,670)
Free cash flow	**A+B**	**990**	**325**	**830**	**203**	**1,820**	**528**

* Also includes eliminations and reclassifications.

Operating activities provided net cash within continuing Operations of 3.405 billion in fiscal 2006, up from 2.322 billion the year before. Net cash outflows associated with an increase in Net working capital amounted approximately 1.3 billion in fiscal 2006 compared to approximately 0.6 billion in fiscal 2005, reflecting business growth year-over-year. Furthermore, fiscal 2005 included 1.496 billion in cash outflows for supplemental pension contributions. Within Corporate Treasury and Financing and Real Estate operating activities provided on a continuing basis net cash of 1.598 billion, up from 876 million the year before, primarily due to higher proceeds from foreign currency exchange derivatives. For Siemens overall, operating activities provided on a continuing basis net cash of 5.003 billion in fiscal 2006 compared to 3.198 billion in fiscal 2005.

Investing activities in operations used net cash of 2.995 billion on a continuing basis in fiscal 2006, benefiting from 1.127 billion in net proceeds from the sale of our shares in Infineon Technologies AG. Net cash outflows for acquisitions amounted to 2.049 billion in fiscal 2006, including the acquisition of DPC at Med with approximately 1.3 billion net of 94 million cash acquired, as well as Electrium at A&D, Bewator at SBT, and the coal gasification business of Sustec-Group and Wheelabrator at PG with a combined preliminary purchase price of approximately 0.4 billion. During the prior period, investing activities in continuing operations used net cash of

4.133 billion. Thereof, net cash used for acquisitions amounted to 2.272 billion, including VA Tech, allocated primarily to PTD and I&S, for a total of 514 million, net of 535 million cash acquired; CTI at Med for 734 million, net of 60 million cash acquired; Flender and Robicon at A&D, and Bonus at PG, in total for approximately 1.2 billion in fiscal 2005. Net cash used by investing activities on a continuing basis at Corporate Treasury and Financing and Real Estate increased to 1.320 billion in fiscal 2006 compared to 919 million in the prior period, mainly due to higher net investments in available-for-sale financial assets. For Siemens overall, net cash used in investing activities in continuing operations declined to 4.315 billion in fiscal 2006 from 5.052 billion in fiscal 2005.

Free cash flow from continuing operations for Siemens was 1.820 billion for fiscal 2006, up from 528 million in the same period a year earlier. The change year-over-year is due to the increase in net cash provided by operating activities mentioned above and was partly compensated by increased cash outflows for intangible assets and property, plant and equipment.

Financing activities from continuing and discontinued operations in fiscal 2006 provided net cash of 1.206 billion compared to net cash used of 1.844 billion in fiscal 2005. The primary factor in this change was 6.701 billion in proceeds from new long-term debt in fiscal 2006. Accordingly, in fiscal 2006, we issued two tranches of U.S. dollar-denominated bonds totaling U.S.$1.0 billion (0.8 billion at this time). Further we issued four tranches of U.S. dollar-denominated bonds totaling U.S.$5.0 billion (3.9 billion at this time), as well as a hybrid bond in two tranches, one denominated in euros (900 million) and one denominated in British pounds (£750 million, or 1.1 billion at this time). Repayment of debt used 1.710 billion in cash in fiscal 2006, including a 1.6 billion payment for a bond, which was due on July 4, 2006. A year earlier, repayment of long-term debt used 848 million. At the end of fiscal 2006, Siemens had no amount outstanding under its commercial paper program, which was the major effect for net cash outflows for short-term debt of 1.762 billion. A year earlier, issuance of commercial paper contributed to the cash inflows from short-term debt of 711 million. Dividends paid to shareholders of Siemens AG rose year-over-year, to 1.201 billion in fiscal 2006 from 1.112 billion in fiscal 2005.

Capital Resources and Requirements

Our capital resources are comprised of cash and cash equivalents, current available-for-sale financial assets, total equity and cash flow from operating activities. Our capital requirements include scheduled debt service, regular capital spending and ongoing cash requirements from operating activities.

Net liquidity results from total liquidity, comprised of cash and cash equivalents and available-for-sale financial assets, less total debt, comprised of short-term debt and current maturities of long-term debt and long-term debt. Total debt relates to our commercial papers, medium-term notes, bonds, loans from banks and obligations under finance leases as stated on the Consolidated Balance Sheets. We use the net liquidity measure for internal corporate finance management, as well as external communication with investors, analysts and rating agencies.

	September 30,	
	2007	**2006**
	(in millions)	
Cash and cash equivalents	4,005	10,214
Current available-for-sale financial assets	193	596
Total liquidity	**4,198**	**10,810**
Short-term debt and current maturities of long-term debt	5,637	2,175
Long-term debt	9,860	13,122
Total debt	**15,497**	**15,297**

Net liquidity	**(11,299)**	**(4,487)**

Our sources of liquidity consist of a variety of short and long-term financial instruments including loans from financial institutions, commercial papers, notes and bonds.

Credit facilities We have three credit facilities at our disposal, which are for general corporate purposes. Our credit facilities at September 30, 2007 consist of 6.797 billion in committed lines of credit.

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U.S.$5.0 billion undrawn syndicated multi-currency revolving credit facility expiring March 2012 provided by a syndicate of international banks;

450 million undrawn revolving credit facility expiring September 2012 provided by a domestic bank;

U.S.$4.0 billion syndicated multi-currency credit facility expiring August 2013 provided by a syndicate of international banks. The facility comprises a U.S.$1.0 billion term loan which was drawn in January 2007 and an undrawn U.S.$3.0 billion revolving tranche.

Commercial paper program In fiscal 2007, we combined our U.S.$5 billion commercial paper program and 3 billion European commercial paper program into a U.S.$9 billion Global multi-currency commercial paper program (6.347 billion), including extendable notes capabilities. As of September 30, 2007, the nominal amount outstanding under this program was U.S.$6.182 billion (4.360 billion). Our issues of commercial paper have a maturity of typically less than 90 days.

Medium-term note program We have a medium-term note program of 5.0 billion. During fiscal 2007, the Company decided not to update the listing of the program. Accordingly, we can issue debt as private placements but not as listed debt. The nominal amount outstanding under this program was 1.389 billion at September 30, 2007.

None of our credit facilities contain a material adverse change provision of the type often found in facilities of such nature and none of our global commercial paper and medium-term note programs nor our credit facilities contain specific financial covenants such as rating triggers or interest coverage, leverage or capitalization ratios that could trigger remedies, such as acceleration of repayment or additional collateral.

Other financing instruments In fiscal 2006, Siemens Financieringsmaatschappij N.V., a wholly owned Dutch subsidiary of Siemens AG issued two series of notes of U.S.$750 million maturing 2009 and 2012, as well as two series of notes of U.S.$1.750 billion maturing 2016 and 2026. In addition, Siemens Financieringsmaatschappij N.V. issued a Hybrid Capital bond in a euro tranche of 900 million and a British pound tranche of £750 million. The total nominal amount of our Hybrid bonds is approximately 2 billion. The reason for these issuances was to better match fund capital and currency requirements, to diversify our investor base and to strengthen the overall balance sheet.

Further information about our bonds and the other components of debt is given below and in Notes to Consolidated Financial Statements.

Capital expenditures for Operating Groups The capital expenditure rate (expressed as a percentage of depreciation and amortization) for property, plant and equipment (PPE) and intangible assets for fiscal 2007 was 109%. We have set a mid-term target to keep additions to PPE and intangible assets as a percentage of depreciation and amortization to 95%-115%.

Cash flows related to portfolio activities After the close of fiscal 2007, we occurred in November 2007 substantial debt financed cash outflows in connection with the Dade Behring acquisition. The preliminary purchase price for Dade Behring amounts to approximately 5 billion. In contrast, we will receive substantial cash inflows from the sale of SV (preliminary purchase price of approximately 11.4 billion). For further information, see Business Overview and Economic Environment Strategic Overview, as well as Notes to Consolidated Financial Statements.

Share buyback program Subsequent to the close of the fiscal year end 2007, we announced our planned share-buyback program, which we will conduct over the next three years up to a total cash outflow of approximately 10 billion. For additional see Subsequent Events.

Dividends At the Annual Shareholders Meeting scheduled for January 24, 2008, the Managing Board, in agreement with the Supervisory Board, will submit the following proposal: to pay 1.60 per share as a dividend, which aggregates to an expected total payout of 1.463 billion.

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Contractual Obligations

In the ordinary course of business, Siemens primary contractual obligations regarding cash involve debt service, purchase obligations and operating lease commitments.

The following table summarizes contractual obligations for future cash outflows as of September 30, 2007:

	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
			(in millions)		
Debt	15,497	5,637	847	3,123	5,890
Purchase obligations	12,884	11,622	1,013	159	90
Operating leases	2,450	581	837	481	551
Total contractual cash obligations	30,831	17,840	2,697	3,763	6,531

Debt At September 30, 2007, Siemens had 15.497 billion of short- and long-term debt, of which 5.637 billion will become due within the next 12 months. Short-term debt includes current maturities of long-term debt, as well as loans from banks coming due within the next 12 months. At September 30, 2007, the weighted average maturity of our bonds and notes due after one year was 8.24 years. At September 30, 2006, total debt was 15.297 billion. Further information about the components of debt is given in Notes to Consolidated Financial Statements.

Debt for Siemens at September 30, 2007 consisted of the following:

	Short-Term	Long-Term	Total
		(in millions)	
Notes and bonds	693	8,196	8,889
Loans from banks	478	871	1,349
Other financial indebtedness	4,418	555	4,973
Obligations under finance leases	48	238	286
Total debt	5,637	9,860	15,497

The capital structure of the Financing and Real Estate component at September 30, 2007 and 2006 consisted of the following:

	September 30, 2007		September 30, 2006	
	SFS	SRE	SFS	SRE
		(in millions)		

Assets	8,912	3,091	10,543	3,221
Allocated equity	1,041	920	1,131	920
Total debt	7,081	1,072	8,819	1,239
Therein intragroup financing	*6,822*	*739*	*8,487*	*928*
Therein debt from external sources	*259*	*333*	*333*	*311*
Debt to equity ratio	6.80	1.17	7.80	1.35
SFS internally purchased receivables	406		2,761	
SFS debt excluding SFS internally purchased receivables	6,675		6,058	

Both Moody s and Standard & Poor s view SFS as a captive finance company. These ratings agencies generally recognize and accept higher levels of debt attributable to captive finance subsidiaries in determining long-term and short-term credit ratings.

The allocated equity for SFS is determined and influenced by the respective credit ratings of the rating agencies and by the expected size and quality of its portfolio of leasing and factoring assets and equity investments and is determined annually. This allocation is designed to cover the risks of the underlying business and is in line with common credit risk management banking standards. The actual risk profile of the SFS portfolio is monitored and controlled monthly and is evaluated against the allocated equity.

Purchase obligations At September 30, 2007, Siemens had 12.884 billion in purchase obligations. Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding and which specify all of the following items: (i) fixed or minimum quantities, (ii) fixed, minimum or variable price provisions and (iii) approximate timing of the transaction.

Operating leases At September 30, 2007, Siemens had a total of 2.450 billion in total future payment obligations under non-cancelable operating leases. For additional information, see Notes to Consolidated Financial Statements.

Siemens is subject to asset retirement obligations related to certain items of property, plant and equipment. Such asset retirement obligations are primarily attributable to environmental clean-up costs which amounted to 597 million as of September 30, 2007 and to costs primarily associated with the removal of leasehold improvements at the end of the lease term amounting to 38 million as of September 30, 2007. For additional information with respect to asset retirement obligations, see Notes to Consolidated Financial Statements.

Off-Balance Sheet Arrangements

Guarantees Guarantees are principally represented by credit guarantees and guarantees of third-party performance. As of September 30, 2007, the undiscounted amount of maximum potential future payments for guarantees was 8.463 billion. Credit guarantees cover the financial obligation of third-parties in cases where Siemens is the vendor and/or contractual partner. In addition, Siemens provides credit line guarantees with variable utilization to associated and related companies. The total amount for credit guarantees was 386 million as of September 30, 2007. Performance bonds and guarantees of advanced payments guarantee the fulfillment of contractual commitments of partners in a consortium where Siemens may be the general or subsidiary partner. In the event of non-performance under the contract by the consortium partner(s), Siemens will be required to pay up to an agreed-upon maximum amount. Guarantees of third-party performance amounted to 1.995 billion as of September 30, 2007. The Federal Republic of Germany has commissioned a consortium consisting of SIS and IBM Deutschland GmbH (IBM) to modernize and operate the non-military information and communications technology of the German Federal Armed Forces (Bundeswehr). This project is called HERKULES. A project company, BWI Informationstechnik GmbH (BWI) will provide the services required by the terms of the contract. SIS is a shareholder in the project company. The total contract value amounts to a maximum of approximately 6 billion. In connection with the consortium and execution of the contract between BWI and the Federal Republic of Germany in December 2006, Siemens issued several guarantees connected to each other legally and economically in favor of the Federal Republic of Germany and of the consortium member IBM. The guarantees ensure that BWI has sufficient resources to provide the required services and to fulfill its contractual obligations. These guarantees are listed as a separate item *HERKULES obligations* due to their compound and multilayer nature. Total future payments potentially required by Siemens amount to 4.2 billion and will be reduced by approximately 400 million per year over the 10-year contract period. Yearly payments under these guarantees are limited to 400 million plus, if applicable, a maximum of 90 million in unused guarantees carried forward from the prior year. Furthermore, Siemens has provided indemnification in connection with dispositions of certain business entities, which protects the buyer from certain tax, legal, and other risks related to the purchased business entity. These other guarantees were 1.882 billion as of September 30, 2007. In the event that it becomes probable that Siemens will be required to satisfy these guarantees, provisions are established. Such provisions are established in addition to the liabilities recognized for the non-contingent component of the guarantees. Most of the guarantees have fixed or scheduled expiration dates, and in practice such guarantees are rarely drawn. For additional information with respect to our guarantees, see Notes to Consolidated Financial Statements.

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Pension Plan Funding

The defined benefit obligation (DBO) of Siemens principal pension plans, which considers future compensation increases, amounted to 25.0 billion on September 30, 2007, compared to 26.7 billion on September 30, 2006. The fair value of plan assets as of September 30, 2007 was 24.0 billion compared to 23.8 billion on September 30, 2006. Accordingly, the combined funding status of Siemens principal pension plans on September 30, 2007 showed an underfunding of 1.0 billion compared to an underfunding of 2.9 billion at the end of the prior fiscal year. The actual return on plan assets during the last twelve months amounted to 1.295 billion. This represents a 5.6% return, compared to the expected return of 6.5%. Siemens was able to generate this return mainly due to strong equity markets (amongst others emerging markets) and good real estate returns, despite of the negative impact of interest rate increases on fixed income investments.

Siemens funding policy for its pension funds is part of its overall commitment to sound financial management, which also includes an ongoing analysis of the structure of its pension liabilities, particularly the duration by class of beneficiaries. To balance return and risk, Siemens has developed a pension benefit risk management concept. As prime risk we have identified a decline in the principle plans funded status as a result of adverse developments of plan assets and/or defined benefit obligations. We monitor our investments and our defined benefit obligations in order to measure such prime risk. The prime risk quantifies the expected maximum decline in the funded status for a given confidence level over a given time horizon. A risk budget on group level forms the basis for the determination of our investment strategy, i.e. the strategic assets class allocation of principle plan assets and the degree of interest rate risk hedging. Both, risk budget and investment strategy, are regularly reviewed by external experts of the international insurance industry to allow for an integral view on pension assets and pension liabilities. We select asset managers based on our quantitative and qualitative analysis and subsequently monitor their performance and risk, both on a stand-alone basis, as well as in the broader portfolio context. We review the asset allocation of each plan in light of the duration of the related pension liabilities and analyze trends and events that may affect asset values in order to initiate appropriate measures at a very early stage.

Siemens also regularly reviews the design of its pension plans. Historically, the majority of Siemens pension plans have included significant defined benefits. However, in order to reduce the Company s exposure to certain risks associated with defined benefit plans, such as longevity, inflation, effects of compensation increases and other factors, we implemented new pension plans in some of our major subsidiaries including Germany, the U.S. and the U.K. during the last several years. The benefits of these new plans are based predominantly on contributions made by the Company and, to a minor extent, the effects of longevity, inflation adjustments and compensation increases. We expect to continue to review the need for the implementation of similar plan designs outside Germany in the coming years to better control future benefit obligations and related costs.

For more information on Siemens pension plans, see Notes to Consolidated Financial Statements.

Overview Financial Position

Our financial position in fiscal 2007 was predominantly influenced by the pending sale of SV, the transfer of the carrier-related operations of the former Group Com into NSN and the integration of the diagnostics division of Bayer AG and UGS. The assets and liabilities of SV-related operations of Siemens are classified on the balance sheet as held for disposal and measured at the lower of their carrying amount or fair value less costs to sell, due to the pending sale. The assets and liabilities of the carrier-related operations of the former Com Group classified on September 30, 2006 on the balance sheet as held for disposal have been transferred into NSN during fiscal 2007, in return the value of the investments accounted for using the equity method increased. The integration of the Bayer and UGS businesses during fiscal 2007 increased assets and liabilities, whereas the acquisitions themselves resulted in significant cash outflows.

For information on acquisitions and dispositions and on the carrying amounts of major classes of assets and liabilities held for disposal, see Notes to Consolidated Financial Statements.

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The following table shows current assets at end of fiscal 2007 and fiscal 2006:

	September 30, 2007	September 30, 2006
	(in millions)	
Cash and cash equivalents	4,005	10,214
Available-for-sale financial assets	193	596
Trade and other receivables	14,620	15,148
Other current financial assets	2,932	2,370
Inventories	12,930	12,790
Income tax receivables	398	458
Other current assets	1,322	1,274
Assets classified as held for disposal	11,532	7,164
Total current assets	47,932	50,014

Cash and cash equivalents totaled 4.005 billion as of September 30, 2007. The decrease of 6.209 billion was primarily driven by cash outflows associated with investing activities, in particular due the acquisitions mentioned above. For further information, see Cash Flow-Fiscal 2007 compared to fiscal 2006.

The decrease in trade and other receivables year-over-year was primarily driven by reclassification of SV assets in assets held for disposal. Despite the same reclassification effect for inventories, inventories increased due to the broad based order growth at Operating Groups and the above-mentioned acquisitions.

Assets classified as held for disposal increased by 4.368 billion. This change primarily reflects the transfer of assets of approximately 5 billion of the carrier-related operations of the former Com Group into NSN during fiscal 2007, and the reclassification of SV into assets classified as held for disposal of 9 billion.

Long-term assets at the respective balance sheet dates for fiscal 2007 and 2006 were as follows:

	September 30, 2007	September 30, 2006
	(in millions)	
Goodwill	12,501	9,689
Other intangible assets	4,619	3,385
Property, plant and equipment	10,555	12,072
Investments accounted for using the equity method	7,016	2,956
Other financial assets	5,561	5,042
Deferred tax assets	2,594	3,657
Other assets	777	713
Total long-term assets	43,623	37,514

In fiscal 2007, the net increase in goodwill and other intangible assets primarily related to acquisitions and purchase accounting adjustments with an offsetting effect from the reclassification of SV. For further information see Notes to Consolidated Financial Statements.

The net decrease in property, plant and equipment results from the reclassification of SV assets into assets held for disposal.

The total decrease in current assets and the increase in long-term assets were mainly related to the transfer of assets of approximately 5 billion, classified as held for disposal, of the carrier-related operations of the former Com Group into NSN during fiscal 2007, as well as acquisitions that caused a reduction in cash and cash equivalents and an increase in long-term assets.

The table below shows current and long-term liabilities at the respective balance sheet dates:

	September 30, 2007	**September 30, 2006**
	(in millions)	
Short-term debt and current maturities of long-term debt	5,637	2,175
Trade payables	8,382	8,443
Other current financial liabilities	2,553	1,929
Current provisions	3,581	3,859
Income tax payables	2,141	1,582
Other current liabilities	17,058	15,591
Liabilities associated with assets classified as held for disposal	4,542	5,385
Total current liabilities	43,894	38,964
Long-term debt	9,860	13,122
Pension plans and similar commitments	2,780	5,083
Deferred tax liabilities	580	184
Provisions	2,103	1,858
Other financial liabilities	411	248
Other liabilities	2,300	2,174
Total long-term liabilities	18,034	22,669

Short-term debt and current maturities of long-term debt totaled 5.637 billion at the end of fiscal 2007, an increase of 3.462 billion from the prior year-end. This increase primarily results from the issuance of commercial paper in fiscal 2007, with an outstanding amount of 4.332 billion as of September 30, 2007.

Compared to fiscal 2006, long-term debt decreased by 3.262 billion to 9.860 billion in fiscal 2007. In fiscal 2007 the Company repurchased a principal amount of approximately 1.9 billion of its outstanding convertible notes of the 2.5 billion 1.375% -bond and paid approximately 3.2 billion in cash and redeemed two outstanding bonds. Further information about the notes and bonds is also provided under Capital Resources and Capital Requirements as well as in the Notes to Consolidated Financial Statements.

Shareholders equity and total assets were as follows:

	September 30, 2007	**September 30, 2006**
	(in millions)	
Total equity attributable to shareholders of Siemens AG	28,996	25,193
Equity ratio	*32%*	*29%*
Minority Interest	631	702
Total assets	91,555	87,528

Total shareholders equity attributable to shareholders of Siemens AG increased by 3.803 billion to 28.996 billion at the end of fiscal 2007. The increase results mainly from net income attributable to shareholders of Siemens AG of 3.806 billion and actuarial gains on pension plans and similar commitments of 1.234 billion, less dividend payments of 1.292 billion.

Total assets increased by 5% in fiscal 2007, compared to fiscal 2006. Total shareholders equity increased by 15%, as a result of which the equity ratio improved by almost three percentage points, to 32%.

For additional information on the financial position, see Notes to Consolidated Financial Statements.

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Subsequent Events

At the beginning of November 2007, Siemens completed the acquisition of Dade Behring which will be integrated into Med s Diagnostics division. For additional information, see Notes to Consolidated Financial Statements.

On November 7, 2007, the Company also announced a share buyback program with a total volume of up to 10 billion by 2010.

On November 28, 2007, the Company announced changes to the Managing Board of Siemens AG. The new Managing Board structure, where the previous distinction between the Managing Board and the Corporate Executive Committee will be eliminated, and the new appointments will take effect on January 1, 2008. Dr. Heinrich Hiesinger, who has been a member of the Managing Board of Siemens AG since June 2007, will be CEO of the Industry Sector. Wolfgang Dehen, previously CEO of Siemens VDO Automotive AG, has been appointed a member of the Managing Board of Siemens AG and will be CEO of the Energy Sector. Prof. Dr. Erich R. Reinhardt, previously Group President of Medical Solutions and a member of the Managing Board of Siemens AG, will be CEO of the Healthcare Sector. In addition, Dr. Siegfried Russwurm has been appointed a member of the Managing Board of Siemens AG and will take over as head of Human Resources and also as Labour Director, in accordance with § 33 of the German Codetermination Act. Rudi Lamprecht, Eduardo Montes, Dr. Uriel J. Sharef and Prof. Dr. Klaus Wucherer will resign from the Managing Board at the end of the 2007 calendar year. They will be available to the Company as consultants. Dr. Jürgen Radomski, previously head of Corporate Personnel and Labour Director, will retire on December 31, 2007.

Financial Impact of Compliance Matters

The Company has conducted an analysis of the impact on the Company s financial statements of issues raised by allegations of violations of anti-corruption legislation. As previously reported, within the former Com Group, the Company s other Groups and regional companies a number of Business Consultant Agreements (BCAs) and similar sales-related arrangements have been identified. The Company has identified a large volume of payments made in connection with these contracts as well as other payments for which the Company has not been able either to establish a valid business purpose or to clearly identify the recipient. These payments raise concerns in particular under the Foreign Corrupt Practices Act (FCPA) in the United States, anti-corruption legislation in Germany and similar legislation in other countries. The payments identified were recorded as deductible business expenses in prior periods in determining income tax provisions. As previously reported, the Company s investigation determined that certain of these payments were non-deductible under tax regulations of Germany and other jurisdictions.

In fiscal 2007, the Company substantially completed its analysis of the tax deductibility of payments under the BCAs and other sales-related agreements with third-party intermediaries identified at the former Com Group, the remaining Groups and in regional companies. In fiscal 2007, the Company also substantially completed its risk-based analysis of cash and check payments at the former Com Group, the Company s other Groups and in regional companies, for which limited documentation was available, and which may also raise concerns under the FCPA and anti-corruption legislation in Germany and other countries.

The Company has accounted for income tax-related charges with respect to fiscal 2000-2006 and adjusted comparative amounts for fiscal 2005 and 2006 as summarized below:

> In October 2007, the Company reached a final settlement (*tatsächliche Verständigung*) with the German tax authorities regarding the deductibility for tax purposes of certain payments at the former Com Group at Siemens AG with respect to fiscal 2000-2006. Pursuant to the settlement, the Company s income tax obligation relating to payments in connection with BCAs, other sales-related agreements with third-party

intermediaries and other payments relating to the former Com Group at Siemens AG was determined to be 179 million. Payments of approximately 449 million were determined to be non-deductible for tax purposes. The Company also recorded interest charges of 12 million related to the tax obligations.

In October 2007, the German tax authorities provided the findings of the tax audit relating to payments under BCAs and similar sales-related agreements with third-party intermediaries by the Company s

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German Non-Com Groups and entities for fiscal 2000-2005 in the course of a final audit meeting (*Schlussbesprechung*). The Company accepted the assessment of the tax authorities. Based on this assessment, the Company determined non-deductible payments relating to fiscal 2006 and considered this information in the income tax return for fiscal 2006. Based on the above, the Company recorded income tax expenses of 264 million for fiscal 2000-2006 with respect to payments with a total volume of approximately 599 million which were determined to be non-deductible for tax purposes. The Company also recorded interest charges of 11 million related to the tax obligations.

In fiscal 2007, the Company also recorded charges for fiscal 2000-2006 in the amount of 77 million for estimated additional income tax expenses outside of Germany relating to payments in connection with BCAs, other sales-related agreements with third-party intermediaries and other payments of approximately 258 million which were determined to be non-deductible for tax purposes. The Company also recorded interest charges of 5 million related to the tax obligations.

As previously reported, in fiscal 2006, the Company recorded income tax charges in the amount of 168 million relating to German income tax liabilities with respect to payments of approximately 417 million. In fiscal 2006, the Company also recorded certain immaterial charges with respect to non-German tax obligations. Due to the matters mentioned above, the Company accounted for an additional amount of 352 million in income tax charges and 28 million in related interest charges related to fiscal 2000-2006. Siemens adjusted comparative amounts for fiscal 2005 and 2006 in the consolidated financial statements for fiscal 2007. The effect of these adjustments on net income for fiscal 2006 and 2005 and shareholders equity as of October 1, 2004 amounted to an increase of 25 million, a decrease of 69 million and a decrease of 336 million, respectively. For further information, please refer to the Notes to Consolidated Financial Statements .

In addition, in fiscal 2007, the Company also recorded an immaterial charge in respect of certain non-German tax penalties relating to the matters described above; the Company further recorded an immaterial tax charge based on its estimate of potential tax liabilities relating to sales-related intermediary and other payments in fiscal 2007. The Company is in an ongoing process of reviewing existing BCAs for purposes of compliance risk in connection with their continued performance. The Company has discontinued payment under a number of BCAs and, in certain cases, has terminated BCAs, and recorded related charges in immaterial amounts.

In the course of its independent investigation, Debevoise also identified certain commission liability accounts at the Med Group which were created in fiscal years prior to 2005 and subsequently released in a manner that did not comply with applicable accounting principles. The release of those liabilities resulted in an increase in group profit at Med of 25 million and an increase in net income of 15 million in fiscal 2005 and an increase in group profit of 24 million and an increase in net income of 15 million in fiscal 2006 with no impact on group profit in fiscal 2007. As a result, opening shareholder s equity as of October 1, 2004 was understated by 30 million. In addition, these accounts may have been used to fund payments in connection with BCAs. The Company adjusted comparative amounts for prior periods in the consolidated financial statements for fiscal 2007. For further information, please refer to the Notes to Consolidated Financial Statements .

The Company also became aware of additional bank accounts and cash funds at various locations that were not previously recorded in the Company s balance sheet and is currently investigating whether Siemens is the economic owner of the funds. Certain funds have been frozen by authorities. Approximately 11 million was recorded in the Company s consolidated balance sheet for fiscal 2007, mostly relating to funds paid back by a former officer in January 2007 and funds received from a trust account in October and November 2007.

The Company remains subject to corruption-related investigations in the U.S. and other jurisdictions around the world. As a result, additional criminal or civil sanctions could be brought against the Company itself or against certain of its employees in connection with possible violations of law, including the FCPA. In addition, the scope of pending investigations may be expanded and new investigations commenced in connection with allegations of bribery and other illegal acts. The Company s operating activities, financial results and reputation may also be negatively affected, particularly due to imposed penalties, disgorgements, compensatory damages, the formal or informal exclusion from public procurement contracts or the loss of business licenses or permits. In addition to the amounts mentioned above as well as the fine imposed by the Munich district court as mentioned in the Notes to

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Consolidated Financial Statements as well as under Item 4: Information on the Company Legal Proceedings , no material expenses or provisions for any such penalties or damages have been recorded as management does not yet have enough information to reliably estimate such amounts. We expect that we will need to record expenses and provisions in the future for fines, penalties or other charges, which could be material, in connection with the investigations. We will also have to bear the costs of continuing investigations and related legal proceedings, as well as the costs of on-going remediation efforts. Furthermore, changes affecting the Company s course of business or changes to its compliance programs beyond those already taken may turn out to be required. For further information, please refer to Item 3: Key Information Risk Factors Compliance.

Fiscal 2007 included a total of 347 million in expenses for outside advisors engaged by Siemens in connection with the investigations into alleged violations of anti-corruption laws and related matters as well as remediation activities.

Critical Accounting Estimates

We have prepared our consolidated financial statements in accordance with IFRS, as described in Notes to Consolidated Financial Statements . Our significant accounting policies, as described in Notes to Consolidated Financial Statements, are essential to understanding our reported results of operations and financial condition. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on financial condition or results of operations. Critical accounting estimates could also involve estimates where management reasonably could have used a different estimate in the current accounting period. Management cautions that future events often vary from forecasts and that estimates routinely require adjustment.

Revenue Recognition on Construction Contracts The Company s Groups, particularly PG, TS, I&S, PTD and SBT, conduct a significant portion of their business under construction contracts with customers. The Company generally accounts for construction projects using the percentage-of-completion method, recognizing revenue as performance on a contract progresses. This method places considerable importance on accurate estimates of the extent of progress towards completion. Depending on the methodology to determine contract progress, the significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgments. Management of the operating Groups continually reviews all estimates involved in such construction contracts and adjusts them as necessary. The Company also uses the percentage-of-completion method for projects financed directly or indirectly by Siemens. In order to qualify for such accounting, the credit quality of the customer must meet certain minimum parameters as evidenced by the customer s credit rating or by a credit analysis performed by Siemens Financial Services (SFS), which performs such reviews in support of the Company s Corporate Executive Committee. At a minimum, a customer s credit rating must be single B from external rating agencies, or an equivalent SFS-determined rating. In cases where the credit quality does not meet such standards, the Company recognizes revenue for construction contracts and financed projects based on the lower of cash if irrevocably received, or contract completion. The Company believes the credit factors used provide a reasonable basis for assessing credit quality.

Trade and Other Receivables The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio basis. For the determination of the country-specific component of the individual allowance, we also consider country credit ratings, which are centrally determined based on information from external rating agencies. Regarding the determination of the valuation allowance derived from a portfolio-based analysis of historical bad debts, a decline of receivables in volume results in a corresponding reduction of such provisions and vice versa. As of September 30, 2007 and 2006, Siemens recorded a total valuation allowance for accounts receivable of 895 million and 956 million, respectively. Siemens also selectively assists customers through arranging financing from various third-party sources, including export credit agencies, in order to be awarded supply contracts. In addition, the Company provides direct vendor financing and grants guarantees to banks in support of loans to Siemens customers when necessary and deemed appropriate.

Impairment Siemens tests at least annually whether goodwill has suffered any impairment, in accordance with its accounting policy. The determination of the recoverable amount of a division to which goodwill is allocated involves the use of estimates by management. The recoverable amount is the higher of the division s fair value less costs to sell and its value in use. The Company generally uses discounted cash flow based methods to determine these values. These discounted cash flow calculations use five-year projections that are based on the financial budgets approved by management. Cash flow projections take into account past experience and represent management s best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates, weighted average cost of capital and tax rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. Likewise, whenever property, plant and equipment and other intangible assets are tested for impairment, the determination of the assets recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment. For more information, see Notes to Consolidated Financial Statements.

Pension and Postretirement Benefit Accounting Obligations for pension and other post-employment benefits and related net periodic benefit costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates, expected return on plan assets, expected salary increases, mortality rates and health care trend rates. The discount rate assumptions reflect the rates available on high-quality fixed-income investments of appropriate duration at the balance sheet date. The expected return on plan assets assumptions are determined on a uniform basis, considering long-term historical returns and asset allocations. Due to changing market and economic conditions the underlying key assumptions may differ from actual developments and may lead to significant changes in pension and other post-employment benefit obligations. Such differences are recognized in full directly in equity in the period in which they occur without affecting profit or loss. For a discussion of the current funding status and a sensitivity analysis with respect to the impact of certain critical assumptions on the net periodic benefit cost, see Notes to Consolidated Financial Statements.

Provisions Significant estimates are involved in the determination of provisions related to onerous contracts, warranty costs and legal proceedings. A significant portion of the business of certain of the operating Groups is performed pursuant to long-term contracts, often for large projects, in Germany and abroad, awarded on a competitive bidding basis. Siemens records a provision for onerous sales contracts when current estimates of total contract costs exceed expected contract revenue. Such estimates are subject to change based on new information as projects progress toward completion. Onerous sales contracts are identified by monitoring the progress of the project and updating the estimate of total contract costs which also requires significant judgment relating to achieving certain performance standards, for example in the IT service business, and estimates involving warranty costs.

Siemens is subject to legal and regulatory proceedings and government investigations in various jurisdictions. These proceedings are, amongst others, related to the area of competition law and to possible breaches of anticorruption legislation in Germany, the Foreign Corrupt Practices Act in the United States and similar legislation in other countries. Such proceedings may result in criminal or civil sanctions, penalties or disgorgements against the Company. If it is more likely than not that an obligation of the Company exists and will result in an outflow of resources, a provision is recorded if the amount of the obligation can be reliably estimated. Regulatory and legal proceedings as well as government investigations often involve complex legal issues and are subject to substantial uncertainties. Accordingly, management exercises considerable judgment in determining whether it is more likely than not that such a proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. The Company periodically reviews the status of these proceedings with both inside and outside counsel. These judgments are subject to change as new information becomes available. The required amount of a provision may change in the future due to new developments in the particular matter. Revisions to estimates may significantly affect results of future operations. Upon resolution of any legal or regulatory proceeding or government investigation, Siemens may incur charges in excess of the recorded provisions for such matters. It can not be excluded that the financial condition or results of operations of Siemens will be materially affected by an unfavorable outcome of legal or regulatory proceedings or government investigations. See Notes to Consolidated Financial Statements for additional information.

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Recent Accounting Pronouncements

In November 2006, the International Accounting Standards Board (IASB) issued IFRS 8, Operating Segments. IFRS 8 replaces IAS 14, Segment Reporting, and aligns segment reporting with the requirements of Statement of Financial Accounting Standards (SFAS) 131, Disclosures about Segments of an Enterprise and Related Information, except for some minor differences. IFRS 8 requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity for which separate financial information is available that is evaluated regularly by the entity s chief operating decision maker in making decisions about how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. IFRS 8 is effective for fiscal periods beginning on or after January 1, 2009. However, Siemens decided to early adopt IFRS 8 in the first quarter of fiscal 2007. See Notes to Consolidated Financial Statements for further information on segment information.

In November 2006, the IFRIC issued IFRIC Interpretation 12, *Service Concession Arrangements,* to provide guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. Service concession arrangements are arrangements whereby a government or other body grants contracts for the supply of public services (e.g. roads, energy distribution, transportation) to private operators. This Interpretation applies to public-to-private service concession arrangements if (a) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement. Control of the asset remains in public hands but the private sector operator is responsible for construction activities, as well as for operating and maintaining the public sector infrastructure. The operator does not recognize the infrastructure as its property, plant and equipment if the infrastructure is existing infrastructure of the grantor, or is infrastructure constructed or purchased by the operator as part of the service arrangement. The operator recognizes either a financial asset or an intangible asset, or both, as compensation for any construction services that it provides. Any concession arrangements within the scope of IFRIC 12 are excluded from the scope of IFRIC 4 Determining whether an Arrangement Contains a Lease . The Company plans to adopt IFRIC 12 beginning October 1, 2008. The involvement of the Company in public-to-private service concession arrangements is currently being evaluated.

In September 2007, the International Accounting Standards Board (IASB) issued IAS 1, *Presentation of Financial Statements (IAS 1*). IAS 1 replaces IAS 1*, Presentation of Financial Statements* (revised in 2003), as amended in 2005. The revision is aimed at improving users ability to analyze and compare the information given in financial statements. IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The new standard is effective for fiscal periods beginning on or after January 1, 2009, early adoption being permitted. The Company will determine the expected effect of the revised IAS 1 and determine an adoption date.

ITEM 6: DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Management

In accordance with the German Stock Corporation Act (*Aktiengesetz*), we have a Supervisory Board and a Managing Board. The two boards are separate and no individual may simultaneously be a member of both boards. The Managing Board is responsible for managing our business in accordance with applicable laws, our Articles of Association and the Bylaws of the Managing Board. It represents us in our dealings with third parties. The Supervisory Board appoints and removes the members of the Managing Board. The Supervisory Board oversees our management but is not permitted to make management decisions.

In carrying out their duties, each member of the Managing Board and Supervisory Board must exercise the standard of care of a prudent and diligent businessman, and is liable to Siemens for damages if they fail to do so. Both boards are required to take into account a broad range of considerations in their decisions, including the interests of Siemens and those of its shareholders, employees and creditors. The Managing Board is required to respect the rights of shareholders to be treated on an equal basis and to receive equal information. The Managing Board is also required to ensure appropriate risk management within Siemens and to establish an internal control system.

The Supervisory Board has comprehensive monitoring functions. To ensure that these functions are carried out properly, the Managing Board must, among other things, regularly report to the Supervisory Board with regard to current business operations and future business planning. The Supervisory Board is also entitled to request special reports at any time.

As a general rule under German law, a shareholder has no direct recourse against either the members of the Managing Board or the Supervisory Board in the event that they are believed to have breached a duty to Siemens. Apart from insolvency or other special circumstances, only Siemens may assert a claim for damages against members of either board. Moreover, we may only waive these damages or settle these claims if at least three years have passed and if the shareholders approve the waiver or settlement at the shareholders meeting with a simple majority of the votes cast, provided that opposing shareholders do not hold, in the aggregate, one-tenth or more of our share capital and do not have their opposition formally noted in the minutes maintained by a German notary.

Supervisory Board

As required by our Articles of Association and German law, our present Supervisory Board consists of 20 members. Ten were elected by our shareholders and ten were elected by our employees. The shareholders may remove any member of the Supervisory Board they have elected in a general meeting by a simple majority of the votes cast by the shareholders in a general meeting. The employee representatives may be removed by the employee assembly which elected them with a majority of three-quarters of the votes cast.

The Supervisory Board elects a chairman and two deputy chairmen from among its members. The election of the chairman and the first deputy chairman requires a two-thirds majority vote. If either the chairman or the first deputy chairman is not elected by a vote of two-thirds of the members of the Supervisory Board, the shareholder representatives elect the chairman and the employee representatives elect the first deputy chairman by a simple majority of the votes cast. The board elects a second deputy chairman by simple majority vote. The Supervisory Board normally acts by simple majority vote, unless otherwise required by law, with the chairman having a deciding vote in the event of a second deadlock.

The Supervisory Board meets at least twice during each half year, normally five times each year. Its main functions are:

- to monitor the management of the Company;
- to appoint and dismiss members of our Managing Board;
- to represent the Company in its dealings with the Managing Board or when its interests are adverse to those of the Managing Board, for example, when the Company enters into an employment agreement with a Managing Board member, the Supervisory Board determines the salary and other compensation components, including pension benefits; and
- to approve matters in any areas that the Supervisory Board has made subject to its approval, either generally or in a specific case.

The members of the Supervisory Board are each elected for a maximum term of about five years. The term expires at the end of the Annual Shareholders Meeting in which the shareholders discharge the Supervisory Board member for the fourth fiscal year following the fiscal year in which he or she was elected. Our Articles of Association establish the compensation of the Supervisory Board members. For further details, see Compensation.

The following table sets forth the names of the current members of our Supervisory Board, their dates of birth, the expiration of their respective terms, their board positions and principal occupations, and their principal outside directorships at September 30, 2007:

Name	**Date of birth**	**Term expires**	**Board position and principal occupation**	**Companies at which Supervisory Board and similar positions were held**
Dr. Gerhard Cromme[1]	2/25/1943	1/24/2008	Chairman of the Supervisory Board; Chairman of the Supervisory Board,	Allianz SE; Axel Springer AG; ThyssenKrupp AG

			ThyssenKrupp AG	
Prof. Dr. Heinrich v. Pierer[1]	1/26/1941		Chairman of the Supervisory Board (until April 25, 2007)	Deutsche Bank AG; Hochtief AG; Münchener Rückversicherungs-Gesellschaft AG; ThyssenKrupp AG; Volkswagen AG
Ralf Heckmann[2]	7/19/1949	1/24/2008	First Deputy Chairman; Chairman of the Central Works Council, Siemens AG	

Name	Date of birth	Term expires	Board position and principal occupation	Companies at which Supervisory Board and similar positions were held
Dr. Josef Ackermann	2/7/1948	1/24/2008	Second Deputy Chairman; Chairman of the Management Board; Deutsche Bank AG	
Lothar Adler(2)	2/22/1949	1/24/2008	Member; Chairman of the Combined Works Council, Siemens AG	
Gerhard Bieletzki(2)	5/16/1947	1/24/2008	Member; Chairman of the Works Council of Siemens VDO Automotive AG	
John David Coombe	3/17/1945	1/24/2008	Member; Chartered Accountant (FCA)	Hogg Robinson Group plc; Home Retail Group plc; HSBC Holdings plc
Hildegard Cornudet(2)	4/16/1949	1/24/2008	Member; Computer Engineer	
Birgit Grube(2)	8/21/1945	1/24/2008	Member; Office Clerk	
Bettina Haller(2)(3)	3/14/1959		Member; Social Worker	
Heinz Hawreliuk(2)	3/20/1947	1/24/2008	Member, Trade Union Secretary, IG Metall	DaimlerChrysler Luft- und Raumfahrt Holding AG; Eurocopter Deutschland GmbH
Berthold Huber(2)	2/15/1950	1/24/2008	Member; Chairman, IG Metall	Audi AG
Prof. Dr. Walter Kröll	5/30/1938	1/24/2008	Member; Consultant	MTU Aero Engines GmbH; Wincor Nixdorf AG
Prof. Dr. Michael Mirow(2)	10/6/1938	1/24/2008	Member; University Professor	
Wolfgang Müller(2)(4)	1/14/1948	1/24/2008	Member; Labor Union Secretary, IG Metall	
Georg Nassauer(2)(3)	3/8/1948	1/24/2008	Member; Steel casting constructor	
Thomas Rackow(2)	2/6/1952	1/24/2008	Member; Industrial manager	
Dieter Scheitor(2)(4)	11/23/1950	1/24/2008	Member; Member of the Executive Committee, IG Metall	
Dr. Albrecht Schmidt	3/13/1938	1/24/2008	Member; Retired Bank Director	Münchener Rückversicherungs-Gesellschaft AG; Thyssen sche Handelsgesellschaft m.b.H.
Dr. Henning Schulte-Noelle	8/26/1942	1/24/2008	Member; Chairman of the Supervisory Board,	Allianz SE; E.ON AG; ThyssenKrupp AG

			Allianz SE
Peter von Siemens	8/10/1937	1/24/2008	Member; Industrial Manager
Jerry I. Speyer	6/23/1940	1/24/2008	Member; Chairman & CEO, Tishman Speyer
Lord Iain Vallance of Tummel	5/20/1943	1/24/2008	Member; Chairman, Amsphere Ltd.

(1) Prof. Dr. Heinrich v. Pierer resigned as Chairman of the Supervisory Board effective April 25, 2007. In his place, Dr. Gerhard Cromme was elected as Chairman of the Supervisory Board for remaining term of office through to the Annual General Meeting of Siemens AG on January 24, 2008. Prof. Dr. Michael Mirow became a member of the Supervisory Board as a replacement member in place of Prof. Dr. Heinrich v. Pierer.

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(2) Elected by employees.

(3) Bettina Haller, a former substitute member of the Supervisory Board, succeeded Georg Nassauer as a member of the Supervisory Board of Siemens AG on April 1, 2007.

(4) Wolfgang Müller ceased to be a member of the Supervisory Board effective January 25, 2007. In his place, Dieter Scheitor was appointed by court order as a member of the Supervisory Board.

There are six Supervisory Board committees: the Chairman s Committee, the Audit Committee, the Compliance Committee, the Ownership Rights Committee, the Nominating Committee and the Mediation Committee. Set forth in the table below are the current members of each committee. For a comprehensive discussion of the functions of our committees, please refer to Item 10: Additional Information Corporate Governance.

Name of committee	**Current members**
Chairman s Committee	Prof. Dr. Heinrich v. Pierer (Chairman until April 25, 2007), Chairman Dr. Gerhard Cromme (Chairman as of April 25, 2007), Ralf Heckmann,* Dr. Josef Ackermann
Audit Committee	Dr. Gerhard Cromme (Chairman until April 25, 2007), Chairman Dr. Henning Schulte-Noelle (Chairman as of April 25, 2007), Ralf Heckmann,* John David Coombe (as of April 25, 2007), Heinz Hawreliuk, Prof. Dr. Heinrich v. Pierer (until April 25, 2007)
Compliance Committee	Chairman Dr. Gerhard Cromme, Ralf Heckmann,* John David Coombe, Heinz Hawreliuk,* Dr. Henning Schulte-Noelle
Ownership Rights Committee	Prof. Dr. Heinrich v. Pierer (Chairman until April 25, 2007), Chairman Dr. Gerhard Cromme (Chairman as of April 25, 2007), Dr. Josef Ackermann, Dr. Albrecht Schmidt
Nominating Committee	Dr. Gerhard Cromme, Dr. Josef Ackermann, Dr. Henning Schulte-Noelle
Mediation Committee	Prof. Dr. Heinrich v. Pierer (Chairman until April 25, 2007), Chairman Dr. Gerhard Cromme (Chairman as of April 25, 2007), Ralf Heckmann,* Dr. Josef Ackermann, Heinz Hawreliuk*

* Elected by employees.

The business address of the members of our Supervisory Board is the same as our business address, Wittelsbacherplatz 2, D-80333 Munich, Germany, care of Dr. Gerhard Cromme.

Managing Board

Our Managing Board currently consists of 11 members. Under our Articles of Association, our Supervisory Board determines the Managing Board s size, although it must have more than one member. Under German law, the Managing Board is responsible for all management matters, including the following which are specifically reserved to the Managing Board:

preparation of the annual financial statements;

- the calling of the Annual Shareholders Meeting and preparation and execution of the resolutions; and
- reports to the Supervisory Board and the Annual Shareholders Meeting concerning certain matters.

The Managing Board, with the approval of the Supervisory Board, has adopted Bylaws for the conduct of its affairs. Pursuant to the current Bylaws of the Managing Board, a Corporate Executive Committee has been created. This Corporate Executive Committee consists exclusively of members of the Managing Board and is authorized to make all management decisions, in particular strategic decisions that are not specifically reserved to the full Managing Board by law, our Articles of Association or the Bylaws of the Managing Board. The Bylaws of the Managing Board state that the maximum number of Corporate Executive Committee members should not exceed nine. The Bylaws require that the Chief Executive Officer (CEO) and his deputies, if any, the Chief Financial Officer (CFO) and the member of the Managing Board who heads Corporate Human Resources (Corporate

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Personnel Department) all be members of the Corporate Executive Committee. Appointments of the remaining unspecified members of the Corporate Executive Committee require the approval of the Supervisory Board. Our current Corporate Executive Committee consists of President and CEO Peter Löscher; Executive Vice-President and CFO Joe Kaeser; as well as Executive Vice-Presidents Heinrich Hiesinger, Rudi Lamprecht, Jürgen Radomski, Hermann Requardt, Uriel J. Sharef, Peter Y. Solmssen and Klaus Wucherer.

One other committee of our Managing Board is authorized to make certain decisions without seeking the approval of the full Managing Board. The Equity and Employee Stock Committee is responsible for certain capital measures as well as for the issuance of employee stock, including the determination of the terms of such issuances. The members of this committee are President and CEO Peter Löscher; Executive Vice-President and CFO Joe Kaeser and Executive Vice-President Jürgen Radomski.

The Supervisory Board appoints the members of the Managing Board for a maximum term of five years. They may be re-appointed or have their term extended for one or more terms of up to a maximum of five years each. The Supervisory Board may remove a member of the Managing Board prior to the expiration of his or her term for good cause. According to the Managing Board s Bylaws, the age of a member of the Managing Board shall not exceed 65.

The Bylaws require the Managing Board to take action by a two-thirds majority vote unless applicable law requires a larger majority. In practice, the Managing Board reaches its decisions by consensus.

The following table sets forth the names of the members of our Managing Board, their dates of birth, the expiration of their respective terms, their current positions and their principal outside directorships at September 30, 2007:

Name	Date of birth	Term expires	Current position	Companies at which Supervisory Board and similar positions were held
Peter Löscher(1)	9/17/1957	3/31/2012	President and CEO	Smiths Group plc
Dr. Klaus Kleinfeld(1)	11/06/1957		President and CEO (until June 30, 2007)	Bayer AG; Alcoa Inc.; Citigroup Inc.
Prof. Johannes Feldmayer(2)	10/16/1956		Former Executive Vice-President	ExxonMobil Central Europe Holding GmbH; Infineon Technologies AG
Dr. Heinrich Hiesinger(3)	5/25/1960	3/31/2012	Executive Vice-President	
Joe Kaeser	6/23/1957	3/31/2011	Executive Vice-President and CFO	Bayerische Börse AG
Rudi Lamprecht	10/12/1948	3/31/2009	Executive Vice-President	
Eduardo Montes	10/02/1951	3/31/2011	Senior Vice-President	Mecalux, S.A.
Dr. Jürgen Radomski	10/26/1941	12/31/2007	Executive Vice-President	ALBA AG; Deutsche Krankenversicherung AG; Dräger

				Medical AG & Co. KG
Prof. Dr. Erich R. Reinhardt	10/03/1946	3/31/2011	Senior Vice-President	Dräger Medical AG & Co. KG
Prof. Dr. Hermann Requardt	2/11/1955	3/31/2011	Executive Vice-President(4)	
Dr. Uriel J. Sharef	8/19/1944	3/31/2008	Executive Vice-President	
Peter Y. Solmssen(4)	1/24/1955	3/31/2012	Executive Vice-President	

Name	Date of birth	Term expires	Current position	Companies at which Supervisory Board and similar positions were held
Prof. Dr. Klaus Wucherer	7/09/1944	3/31/2008	Executive Vice-President	Deutsche Messe AG; Infineon Technologies AG; LEONI AG; SAP AG

(1) Effective June 30, 2007, Dr. Klaus Kleinfeld resigned from his offices as a full member of the Managing Board and as CEO and President of the Managing Board of Siemens AG. Effective July 1, 2007, Peter Löscher was elected a full member of the Managing Board and appointed Chief Executive Officer and President of the Managing Board of Siemens AG.

(2) Prof. Johannes Feldmayer had been suspended since March 28, 2007 and left the Managing Board, effective September 30, 2007.

(3) Dr. Heinrich Hiesinger was elected a full member of the Managing Board, effective June 1, 2007.

(4) Peter Y. Solmssen was elected as a member of the Managing Board and the Corporate Executive Committee effective October 1, 2007.

On November 28, 2007, the Company announced changes to the Managing Board of Siemens AG. The new Managing Board structure, where the previous distinction between the Managing Board and the Corporate Executive Committee will be eliminated, and the new appointments will take effect on January 1, 2008. Dr. Heinrich Hiesinger, who has been a member of the Managing Board of Siemens AG since June 2007, will be CEO of the Industry Sector. Wolfgang Dehen, previously CEO of Siemens VDO Automotive AG, has been appointed a member of the Managing Board of Siemens AG and will be CEO of the Energy Sector. Prof. Dr. Erich R. Reinhardt, previously Group President of Medical Solutions and a member of the Managing Board of Siemens AG, will be CEO of the Healthcare Sector. In addition, Dr. Siegfried Russwurm has been appointed a member of the Managing Board of Siemens AG and will take over as head of Human Resources and also as Labour Director, in accordance with § 33 of the German Codetermination Act. Rudi Lamprecht, Eduardo Montes, Dr. Uriel J. Sharef and Prof. Dr. Klaus Wucherer will resign from the Managing Board at the end of the 2007 calendar year. They will be available to the Company as consultants. Dr. Jürgen Radomski, previously head of Corporate Personnel and Labour Director, will retire on December 31, 2007.

The business address of the members of our Managing Board is the same as our business address, Wittelsbacherplatz 2, D-80333 Munich, Germany.

Compensation

This section outlines the principles used for determining the compensation of the Managing Board of Siemens AG and sets out the level and structure of Managing Board remuneration. In addition, this section describes the policies and levels of compensation paid to Supervisory Board members.

This section is based on the recommendations and suggestions of the German Corporate Governance Code and comprises data that, in accordance with the requirements of the German Commercial Code (HGB) and International Financial Reporting Standards (IFRS), are part of the Notes to Consolidated Financial Statements and of Management s discussion and analysis. It is thus part of the audited consolidated financial statements.

Managing Board Remuneration

The Chairman s Committee of the Supervisory Board is responsible for determining the remuneration of the members of the Managing Board. The Committee comprises Dr. Gerhard Cromme (Chairman of the Supervisory Board), and Dr. Josef Ackermann and Ralf Heckmann (both Deputy Chairmen of the Supervisory Board). The structure of the Managing Board s compensation is discussed and reviewed regularly by the Supervisory Board in full session.

The remuneration of the members of the Managing Board of Siemens is based on the Company s size and global presence, its economic and financial position, and the level and structure of managing board compensation paid by peer companies. In addition, the compensation reflects each Managing Board member s responsibilities and performance. The level of Board compensation is designed to be competitive in the market for highly qualified executives and to provide incentives in a high-performance culture.

In fiscal year 2007, the Managing Board remuneration had four components: (i) a fixed annual salary, (ii) a variable bonus which the Chairman s Committee may adjust upward or downward by up to 20 percent of the amount of target attainment, (iii) stock-based compensation, and (iv) a pension benefit contribution. With regard to fixed salary and bonus, an annual target compensation is determined, consisting of 50% fixed and 50% variable components. The target compensation is reviewed every two to three years on the basis of an analysis of the compensation paid by peer companies to their top managers. The last review was conducted as of April 1, 2006.

In fiscal year 2007, the remuneration of the Managing Board members is composed as follows:

The fixed compensation is paid as a monthly salary.

The variable bonus is based on the level of the Company s attainment of certain Economic Value Added (EVA) and net cash targets as well as other financial goals, if any, that are set at the start of the fiscal year by the Chairman s Committee of the Supervisory Board (for information about EVA as a performance measure, see Item 5: Operating and Financial Review and Prospects Fiscal 2007 Compared to Fiscal 2006 Economic Value Added). Net cash is the difference between cash inflows and cash outflows from operating and investing activities. One half of the bonus is paid as an annual bonus and is contingent upon achieving the Company-wide EVA targets and net cash targets established for the fiscal year. The other half is granted as a long-term bonus (LT bonus), the amount of which depends on the average attainment of EVA targets or net cash targets over a three-year period. In fiscal 2007, the net cash target was given a significantly higher priority and it was included in the LT bonus for the first time. In any year, the annual bonus and the LT bonus may not exceed 275 percent of the base amount applicable to the variable compensation component.

As of fiscal year 2006, the stock-based compensation has consisted only of stock awards.

Under the Siemens Defined Contribution Benefit Plan (BSAV), members of the Managing Board receive contributions, the individual amounts of which are determined annually on the basis of a percentage of their respective target annual compensation established by the Chairman s Committee of the Supervisory Board. A portion of these contributions is accounted for by funding of pension commitments earned prior to transfer to the BSAV. In addition, special contributions may be granted on the basis of individual decisions.

Employment contracts with Managing Board members concluded before June 1, 2007 generally do not include any explicit severance commitment in the event of an early resignation from office. However, severance payments may result from individually agreed termination arrangements. Managing Board contracts concluded on or after June 1, 2007 provide for a compensation payment on premature resignation from office without serious cause, the amount of which must not exceed the value of two years compensation (severance payment cap). In addition, non-monetary benefits are settled by a cash payment equal to five percent of the severance payment.

Members of the Managing Board who were appointed to the Managing Board before October 1, 2002 have a contractual right to receive transitional payments for twelve months after leaving the Managing Board. The transitional payments generally amount to the fixed salary of the year of resignation and the average of variable bonuses paid for the last three fiscal years before resignation. In single cases, the transitional payments equal a one-year target compensation.

In the event of a change of control i.e. if one or several shareholders acting jointly or in concert acquire a majority of the voting rights in Siemens AG and exercise a controlling influence, or if Siemens AG becomes a dependent enterprise as a result of entering into an enterprise contract within the meaning of § 291 of the German Stock Corporation Act (AktG), or if Siemens AG is to be merged into an existing corporation or other entity any member of the Managing Board has the right to terminate the contract of employment if such change of control results in a substantial change in position (e.g. due to a change in corporate strategy or a change in the Managing Board member s duties and responsibilities). If this right of termination is exercised, the Managing Board member will receive a severance payment which amounts to the target annual compensation applicable at the time of contract termination for the remaining contractual term of office, but at least for a period of three years. In addition, non-monetary benefits are settled by a cash payment equal to five percent of the severance payment. No severance payments are made if the Managing Board member receives benefits from third parties in connection with a change of control. A right of termination does not exist if the change of control occurs within a period of twelve (12) months prior to a Managing Board member s retirement.

Upon leaving office as President and member of the Managing Board, Dr. Klaus Kleinfeld agreed to a non-compete arrangement not included in his original service agreement that prevents him from working for Siemens major competitors, including any of their affiliated companies. In addition, Dr. Kleinfeld undertook to act as consultant to the Managing and Supervisory Boards of Siemens AG in connection with the Company s strategic direction and issues concerning its organizational and personnel structure during Peter Löscher s job orientation phase. In consideration of the non-compete arrangement, the additional consulting services, and in settlement of other claims, Dr. Kleinfeld was promised payments totaling 5.75 million and the non-forfeiture of 11,437 stock awards.

On November 7, 2007 and November 17, 2007, respectively, the Chairman s Committee of the Supervisory Board determined the values of stock awards and the bonus awards to be granted, after assessing the attainment of the targets set at the start of the fiscal year.

For the fiscal year 2007, the aggregate cash compensation amounted to 33.2 million (2006: 27.8 million) and total remuneration amounted to 41.7 million (2006: 30.4 million), representing an increase in total remuneration of 37.2 percent.

The following compensation was determined for the members of the Managing Board for fiscal year 2007 (individual disclosure):

	Cash compensation		**Fair value of stock-based compensation**		**Total**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
			(Amounts in)[1]			
Peter Löscher[2]	1,710,038		1,000,065		2,710,103	
Dr. Klaus Kleinfeld[2]	5,332,028	3,248,462	750,000	375,058	6,082,028	3,623,520
Prof. Johannes Feldmayer[3]	3,006,107	2,363,217		250,016	3,006,107	2,613,233
Dr. Thomas Ganswindt[4]		2,420,147				2,420,147
Dr. Heinrich Hiesinger[5]	763,376		750,025		1,513,398	
Joe Kaeser[6]	2,502,886	963,983	750,025	300,046	3,252,911	1,264,029
Prof. Dr. Edward G. Krubasik[4]		2,453,825				2,453,825
Rudi Lamprecht	2,993,188	2,272,986	750,025	250,016	3,743,213	2,523,002
Heinz-Joachim Neubürger[6]		1,422,636				1,422,636
Dr. Jürgen Radomski	2,993,142	2,351,448	750,025	250,016	3,743,167	2,601,464
Prof. Dr. Hermann Requardt[7]	2,560,568	913,559	750,025	200,054	3,310,593	1,113,613
Dr. Uriel J. Sharef	3,002,607	2,360,975	750,025	250,016	3,752,632	2,610,991
Prof. Dr. Klaus Wucherer	3,006,413	2,350,989	750,025	250,016	3,756,438	2,601,005
Eduardo Montes[8]	2,606,764	1,071,137	750,025	200,054	3,356,789	1,271,191
Prof. Dr. Erich R. Reinhardt[8]	2,679,371	2,038,914	750,025	200,054	3,429,396	2,238,968
Prof. Dr. Claus Weyrich[4][8]		1,606,982				1,606,982

Total	**33,156,485**	**27,839,260**	**8,500,290**	**2,525,346**	**41,656,775**	**30,364,606**

(1) The fair value of the stock-based compensation relates to stock awards granted in November 2007 and 2006 for fiscal years 2007 and 2006, respectively. Dr. Klaus Kleinfeld s stock-based compensation is settled in cash. The amounts for 2006 shown in this table are those obtained after reducing the variable cash bonus and the stock-based compensation in connection with the transfer of Managing Board remuneration to the hardship fund for BenQ Mobile employees in Germany.

(2) Effective June 30, 2007, Dr. Klaus Kleinfeld resigned from his offices as a full member of the Managing Board and as CEO and President of the Managing Board of Siemens AG. The full term of his service agreement would have expired on September 30, 2007. Effective July 1, 2007, Peter Löscher was elected a full member of the Managing Board and appointed Chief Executive Officer and President of the Managing Board of Siemens AG.

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(3) Prof. Johannes Feldmayer had been suspended since March 28, 2007 and left the Managing Board, effective September 30, 2007.

(4) Dr. Thomas Ganswindt, Prof. Dr. Edward G. Krubasik and Prof. Dr. Claus Weyrich resigned from the Managing Board, effective September 30, 2006.

(5) Dr. Heinrich Hiesinger was elected a full member of the Managing Board, effective June 1, 2007.

(6) On May 1, 2006, Joe Kaeser succeeded Heinz-Joachim Neubürger, who resigned from the Managing Board on April 30, 2006, as a full member of the Managing Board of Siemens AG.

(7) Prof. Dr. Hermann Requardt was elected a full member of the Managing Board, effective October 1, 2006.

(8) Deputy members of the Managing Board.

The following table describes the details of cash compensation on an individual basis:

	Cash compensation								
	Salary		Annual bonus		LT bonus		Other(2)		Tota
	2007	2006	2007	2006	2007	2006	2007	2006	2007
	(Amounts in (1))								
(3)	495,000		604,132		604,132		6,774		1,710,038
	1,704,320	1,160,480	1,796,750	1,055,707	1,796,750	998,721	34,208	33,554	5,332,028
es	936,000	845,520	1,119,737	747,819	910,822	728,408	39,548	41,470	3,006,107
		755,040							