SIEMENS AKTIENGESELLSCHAFT
Form 6-K
August 05, 2003

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

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

For August 5, 2003

Commission File Number: 1-15174

Siemens Aktiengesellschaft

(Translation of registrant s name into English)

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

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

Form 20-F x Form 40-F o

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

Yes o No x

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Yes o No x

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

Yes o No x

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

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Interim Report Third Quarter and First Nine Months of Fiscal 2003

INTRODUCTION

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

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ECONOMIC ENVIRONMENT & MARKET TRENDS

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

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

RESULTS OF SIEMENS WORLDWIDE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Acquisitions and Dispositions

Alstom

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

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

Draeger Medical

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

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SEGMENT INFORMATION ANALYSIS

Operations

Information and Communications

Information and Communication Networks (ICN)

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

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

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

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

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

Information and Communication Mobile (ICM)

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

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

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

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

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

Siemens Business Services (SBS)

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

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

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

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

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

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Automation and Control

Automation and Drives (A&D)

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

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

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

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

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

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Industrial Solutions and Services (I&S)

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

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

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

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

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

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Siemens Dematic (SD)

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

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

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

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

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

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Siemens Building Technologies (SBT)

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

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

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

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

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

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Power

Power Generation (PG)

Third quarter ended