SIEMENS AKTIENGESELLSCHAFT
Form 20-F
November 30, 2011
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As filed with the Securities and Exchange Commission on November 30, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

¨ **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, 2011

OR

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

For the transition period from _______ to _______

OR

¨ **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

Wittelsbacherplatz 2

80333 Munich

Federal Republic of Germany

Telephone: +49 (89) 636-00

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, 2011: 874,251,347 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 ¨ No þ

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 ¨ 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 ¨ Not applicable ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ¨ No ¨

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. (Check one):

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨ International Financial Reporting Standards as issued by the International Accounting Standards Board þ Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 ¨

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 ¨ 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, projec similar meaning. Such statements are based on the current expectations and certain assumptions of Siemens management, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens control, affect Siemens 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. In particular, Siemens is strongly affected by changes in general economic and business conditions as these directly impact its processes, customers and suppliers. This may negatively impact our revenue development and the realization of greater capacity utilization as a result of growth. Yet due to their diversity, not all of Siemens businesses are equally affected by changes in economic conditions; considerable differences exist in the timing and magnitude of the effects of such changes. This effect is amplified by the fact that, as a global company, Siemens is active in countries with economies that vary widely in terms of growth rate. Uncertainties arise from, among other things, the risk of customers delaying the conversion of recognized orders into revenue or cancelling recognized orders, of prices declining as a result of adverse market conditions by more than is currently anticipated by Siemens management or of functional costs increasing in anticipation of growth that is not realized as expected. Other factors that may cause Siemens results to deviate from expectations include developments in the financial markets, including fluctuations in interest and exchange rates (in particular in relation to the US$, British £ and the currencies of emerging markets such as China, India and Brazil), in commodity and equity prices, in debt prices (credit spreads) and in the value of financial assets generally. Any changes in interest rates or other assumptions used in calculating obligations for pension plans and similar commitments may impact Siemens defined benefit obligations and the anticipated performance of pension plan assets resulting in unexpected changes in the funded status of Siemens pension and other post-employment benefit plans. Any increase in market volatility, deterioration in the capital markets, decline in the conditions for the credit business, uncertainty related to the subprime, financial market and liquidity crises, including the sovereign debt crisis in the Eurozone, or fluctuations in the future financial performance of the major industries served by Siemens may have unexpected effects on Siemens results. Furthermore, Siemens faces risks and uncertainties in connection with: disposing of business activities, certain strategic reorientation measures, including reorganization measures relating to its segments; the performance of its equity interests and strategic alliances; the challenge of integrating major acquisitions, implementing joint ventures and other significant portfolio measures; the performance, measurement criteria and composition of its environmental portfolio; the introduction of competing products or technologies by other companies or market entries by new competitors; changing competitive dynamics (particularly in developing markets); the risk that new products or services will not be accepted by customers targeted by Siemens; changes in business strategy; the interruption of our supply chain, including the inability of third parties to deliver parts, components and services on time resulting for example from natural disasters; the outcome of pending investigations, legal proceedings and actions resulting from the findings of, or related to the subject matter of, such investigations; the potential impact of such investigations and proceedings on Siemens business, including its relationships with governments and other customers; the potential impact of such matters on Siemens financial statements, and various other factors. More detailed information about certain of the risk factors affecting Siemens is contained throughout this report and in Siemens 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 neither intends to, nor assumes 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 Aktiengesellschaft and, unless the contex otherwise requires, to its consolidated subsidiaries. Throughout this Form 20-F, 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.

Due to rounding, numbers presented throughout this Form 20-F may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

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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

We present below our selected financial data as of and for each of the years in the five-year period ended September 30, 2011. We derived the selected financial data for each of the years in the five-year period ended September 30, 2011 from our audited annual Consolidated Financial Statements, including the Notes thereto. All the data 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 prepare our Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The financial statements are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB). Certain pronouncements have been adopted early, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

	Year ended September 30,				
Income statement data	**2011[1]**	**2010[1]**	**2009[1]**	**2008[1]**	**2007[1]**
	(in millions of , except per share data)				
Revenue	73,515	68,978	70,053	69,577	64,238
Income from continuing operations before income taxes	9,242	5,974	4,035	2,440	4,390
Income from continuing operations	7,011	4,262	2,533	1,574	3,431
Income (loss) from discontinued operations, net of income taxes	(690)	(194)	(36)	4,312	607
Net income	6,321	4,068	2,497	5,886	4,038
Basic earnings per share					
Income from continuing operations	7.82	4.72	2.70	1.60	3.61
Income (loss) from discontinued operations	(0.78)	(0.23)	(0.05)	4.81	0.63
Net income	7.04	4.49	2.65	6.41	4.24
Diluted earnings per share					
Income from continuing operations	7.73	4.67	2.67	1.60	3.49
Income (loss) from discontinued operations	(0.77)	(0.23)	(0.04)	4.79	0.61
Net income	6.96	4.44	2.63	6.39	4.10

	September 30,				
Balance sheet data	**2011**	**2010**	**2009**	**2008**	**2007**
	(in millions of)				
Total assets	104,243	102,827	94,926	94,463	91,555
Long-term debt	14,280	17,497	18,940	14,260	9,860
Total equity	32,156	29,096	27,287	27,380	29,627
Common stock	2,743	2,743	2,743	2,743	2,743

(1) Under IFRS, the historical results of OSRAM and the former segments Siemens IT Solutions and Services, Communications and Siemens VDO Automotive 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 Consolidated Statements of Financial Position as held for disposal. For further information see Item 18: Financial Statements Notes to Consolidated Financial Statements.

The number of shares outstanding at September 30, 2011, 2010, 2009, 2008 and 2007 was 874,251,347; 869,837,005; 866,425,760; 861,557,756 and 914,203,038, respectively.

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DIVIDENDS

The following table sets forth in and in US$ the dividend paid per share for the years ended September 30, 2007, 2008, 2009, 2010 and the proposed dividend per share for the year ended September 30, 2011. 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.

Year ended September 30,	Dividend paid per share	
		US$
2007	1.60	2.36
2008	1.60	2.11
2009	1.60	2.25
2010	2.70	3.68
2011	3.00(1)	

(1) Proposed by the Managing Board and the Supervisory Board; to be approved by the shareholders at the Annual Shareholders Meeting on January 24, 2012.

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. US dollar, US$, USD or $ means the lawful currency of the United States o 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 , expressed in US$ per , 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 US$, the table below shows the average noon buying rates in The City of New York for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York for US$ per 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
2007	1.3420
2008	1.5067
2009	1.3556
2010	1.3539
2011	1.3988

The following table shows the noon buying rates for in US$ for the last six months and for November 2011 up to and including November 18, 2011.

2011	High	Low
May	1.4875	1.4015
June	1.4675	1.4155
July	1.4508	1.4014
August	1.4510	1.4158
September	1.4283	1.3446
October	1.4172	1.3281
November (through November 18)	1.3803	1.3505

On November 18, 2011, the noon buying rate was US$1.3521 per 1.00.

Our shares are traded on the Frankfurt Stock Exchange in . Fluctuations in the exchange rate between the and the US$ will affect the US$ equivalent of the 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 and exchange rate fluctuations will affect the US$ amounts received by holders of ADSs on conversion of cash dividends on the shares represented by the ADSs.

Risk factors

Our business, financial condition (including effects on assets, liabilities and cash flows), and results of operations could suffer material adverse effects due to any of the risks described below. While we have described below all the risks that we consider material, 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

We operate in highly competitive markets, which are subject to price pressures and rapid changes: The worldwide markets for our products and solutions are highly competitive in terms of pricing, product and service quality, development and introduction time, customer service and financing terms. In many of our businesses, we face downward price pressure and we are or could be exposed to market downturns or slower growth, which may increase in times of declining investment activities and consumer demand. We face strong competitors, some of which are larger and may have greater resources in a given business area, as well as competitors from emerging markets, which may have a better cost structure. Some industries in which we operate are undergoing consolidation, which may result in stronger competition and a change in our relative market position. Certain competitors might be more effective and faster in capturing available market opportunities, which in turn may negatively impact our market share. These factors alone or in combination may negatively impact our business, financial condition, and results of operations.

Our business is affected by the uncertainties of economic and political conditions, particularly in the current macroeconomic environment, which is characterized by continuing crisis in financial markets and the potential threat of a global economic downturn: Our business environment is influenced by conditions in the domestic and global economies. Although the macroeconomic environment showed further overall improvement in the first half of fiscal 2011, the development of certain economic indicators as well as the recent turbulences in the financial markets in the second half of fiscal 2011, primarily as a result of the ongoing sovereign debt crisis in the Eurozone, still indicate a highly volatile macroeconomic environment. Future macroeconomic development is dependent upon the evolution of a number of global and local factors such as the crisis in the credit markets, economic crises arising from sovereign debt overruns, and government budget consolidation measures related thereto, including in the U.S., Italy, Greece and other European countries, reduced levels of capital expenditures, declining consumer and business confidence, increasing unemployment in certain countries, fluctuating commodity prices, bankruptcies, natural disasters, political crises and other challenges affecting the speed of sustainable macroeconomic growth.

In light of the latest economic developments, the high degree of unemployment in certain countries, the level of public debt in the U.S., as well as in Italy, Greece and other European countries, uncertainties with respect to the stability of the Chinese economy, and the potential impact of budget consolidation measures by governments around the world, the bases for our expectations relating to the overall economic situation and specific conditions in markets relevant to us are subject to considerable uncertainties. In general, due to the significant proportion of long-cycle businesses in our Sectors and the importance of long-term contracts for Siemens, there is usually a time lag between the development of macroeconomic conditions and their impact on our financial results. Important exceptions include our short-cycle businesses in the Industry Sector, particularly those in industrial automation and drives technologies, which are highly sensitive to volatility in market demand. If the macroeconomic environment deteriorates and if we are not successful in adapting our production and cost structure to subsequent changes to conditions in the markets, in which we operate, there can be no assurance that we will not experience adverse effects that may be material to our business, financial condition, results of operations and our ability to access capital. For example, it may become more difficult for our customers to

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obtain financing and as a result they may modify, delay or cancel plans to purchase our products and services or to execute transactions. Furthermore, prices may decline as a result of adverse market conditions to a greater extent than currently anticipated. In addition, contracted payment terms, especially regarding the level of advance payments by our customers relating to long-term projects, may become less favorable, which could negatively impact our cash flows. Additionally, if customers are not successful in generating sufficient revenue or securing access to the capital markets, they may not be able to pay, or may delay payment of, the amounts they owe us, which may adversely affect our business, financial condition and results of operations.

Numerous other factors, such as fluctuations of energy and raw material prices, as well as global political conflicts, including those in the Middle East, North Africa and other regions, continue to impact macroeconomic parameters and the international capital and credit markets. The uncertainty of economic and political conditions can have a material adverse impact on our business, financial condition and results of operations and can also make our budgeting and forecasting more difficult.

Our business is affected by a variety of market conditions and regulation. For example, our Energy Sector is exposed to the development of global demand for energy and is considerably affected by regulations related to energy and environmental policies. Our Healthcare Sector, in turn, is dependent on developments and regulations in healthcare systems around the world, particularly in the important U.S. healthcare market. Our Industry Sector is vulnerable to unfavorable market conditions in certain segments of the automotive, manufacturing and construction industries. Our new Infrastructure & Cities Sector focuses mainly on business with public authorities around the world and is thus vulnerable to restrictions in public budgets.

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 areas, we must continuously design new, and update existing products and services, and invest in, and develop new technologies. Introducing new products and technologies requires a significant commitment to research and development, which in return requires expenditure of considerable financial resources that may not always result in success. Our sales and profitability may suffer if we invest in technologies that do not operate, or may not be integrated, as expected or that are not accepted in the marketplace as anticipated, or if our products or systems are not introduced to the market in a timely manner, in particular, compared to our competitors, or become obsolete. Furthermore, in some of our markets, the need to develop and introduce new products rapidly in order to capture available opportunities may lead to quality problems. Our operating results depend to a significant extent on our ability to anticipate and 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 business, financial condition and results of operations.

Our business, financial condition and results of operations may be adversely affected by continued strategic reorientations and cost-cutting initiatives: We are in a continuous process of strategic reorientation and constantly engage in cost-cutting initiatives, including in connection with ongoing capacity adjustment measures and structural initiatives. Capacity adjustments through consolidation of business activities and manufacturing facilities, and the streamlining of product portfolios are also part of these cost reduction efforts. These measures may negatively impact our business, financial condition and results of operations. 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.

Our business, financial condition and results of operations may be adversely affected by portfolio measures: Our strategy includes divesting activities 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 the divestitures we do carry out could have a negative impact on our business, financial condition, results of operations and, potentially, our reputation. For example, after having previously announced plans to list our subsidiary OSRAM AG in the fall of 2011, we announced in September 2011 that, in view of the highly volatile environment on the capital markets and possible effects on the industry, OSRAM AG is to be listed at a later date.

Mergers and acquisitions are inherently risky because of difficulties that may arise when integrating people, operations, technologies and products. There can be no assurance that any of the businesses we acquire can be integrated successfully and as timely as originally planned 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 measures 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 intangible assets, including goodwill. Our balance sheet reflects a significant amount of intangible assets, including goodwill. Among our businesses, the largest amount of goodwill is allocated to the Diagnostics Division and the Imaging & Therapy Division of the Healthcare Sector, and the Industry Automation Division of the Industry Sector. In fiscal 2010, the annual test for impairment of goodwill of the Diagnostics Division within the Healthcare Sector was performed as of September 30, 2010. As a result, in the Diagnostics Division of the Healthcare Sector an impairment of 1,145 million was recognized to reduce the carrying amount of goodwill. For further information see Item 18: Financial Statements Notes to Consolidated Financial Statements. If we were to encounter continuing adverse business developments including negative effects on our revenues, profits or on cash, or adverse effects from an increase in the weighted average cost of capital (WACC) or from foreign exchange rate developments, or if we were otherwise to perform worse than expected at acquisition, then these intangible assets, including goodwill, might have to be written down, which could materially and adversely affect our results of operations. The likelihood of such adverse business developments increases in times of difficult or uncertain macroeconomic conditions.

We may be adversely affected by our equity interests and strategic alliances: Our strategy includes strengthening our business interests through joint ventures, associated companies and strategic alliances. Certain of our investments are accounted for using the equity method, including, among others, Nokia Siemens Networks B.V. (NSN), Enterprise Networks Holdings B.V. (EN) and BSH Bosch und Siemens Hausgeräte GmbH (BSH). Any factors negatively influencing the profitability of our equity investments, including negative effects on revenues, profits or on cash, could have an adverse effect on our equity pick-up related to these equity interests or may result in a write-down of these investments. In addition, our business, financial condition and results of operations could also be adversely affected in connection with loans, guarantees or non-compliance with financial covenants related to these equity investments. Furthermore, such investments are inherently risky as we may not be able to sufficiently influence corporate governance processes or business decisions taken by our equity investments and strategic alliances that may have a negative effect on our business. In addition, joint ventures bear the risk of difficulties that may arise when integrating people, operations, technologies and products. Strategic alliances may also pose risks for us because we compete in some business areas with companies with which we have strategic alliances.

Operations

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 operates. In many of our business areas, we intend to expand our business activities, 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 all the highly qualified employees and key personnel needed in the future, including in appropriate geographic locations, and any inability to do so could have a material adverse effect on our business.

We may face operational failures and quality problems in our value chain processes: Our value chain comprises all steps, from research and development to supply chain management, production, marketing, sales and 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 might have quality issues resulting from the design or manufacture of such products or from the software integrated into them.

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Furthermore, failures on the part of service providers we employ, such as in the area of IT infrastructure, may have an adverse effect on our processes and operations and our ability to meet our commitments to customers or increase our operating costs. Any operational failures or quality issues could have a material adverse effect on our business, financial condition and results of operations.

We may face interruption of our supply chain, including the inability of third parties to deliver parts, components and services on time, and we may be subject to rising raw material prices: Our financial performance depends in part on reliable and effective supply chain management for components, sub-assemblies and other materials. Capacity constraints and supply shortages resulting from ineffective supply chain management may lead to delays and additional cost. 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 our Sectors. 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 our Sectors. Furthermore, we may be exposed to the risk of delays and interruptions of the supply chain as a consequence of natural disasters, such as those which occurred in Japan in fiscal 2011, in case we are unable to identify alternative sources of supply in a timely manner or at all. A general shortage of materials, components or sub-components as a result of natural disasters also bears the risk of unforeseeable fluctuations in prices and demand, which might adversely affect our results of operations.

Our Sectors purchase raw materials including so-called rare-earth metals, copper, steel, aluminum and oil, which exposes them to fluctuations in energy and raw material prices. In recent times, commodities have been subject to volatile markets, and such volatility is expected to continue. If we are not able to compensate for our increased costs or pass them on to customers, price increases could have a material adverse impact on our financial results. In contrast, in times of falling commodity prices, we may not fully profit from such price decreases as we attempt to reduce the risk of rising commodity prices by several means, such as long-term contracting or physical and financial hedging. In addition to price pressure that we may face from our customers expecting to benefit from falling commodity prices or adverse market conditions, this could also adversely affect our business, financial condition and results of operations.

Our business, financial condition and results of operations may be adversely affected by cost overruns or additional payment obligations related to the management of our long-term, fixed price or turnkey projects: We perform a portion of our business, especially large projects, under long-term contracts that are awarded on a competitive bidding basis. Some of these contracts are inherently risky because we may assume substantially all of the risks associated with completing the project and the post-completion warranty obligations. For example, we face the risk that we must satisfy technical requirements of a project even though we may not have gained experience with those requirements before we win the project. The profit margins realized on 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 unanticipated project modifications, shortage of key personnel, quality problems, financial difficulties of our customers, cost overruns or contractual penalties caused by unexpected technological problems, unforeseen developments at the project sites, performance problems with our suppliers, subcontractors and consortium partners 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 contracts and projects, in particular those with long-term duration and fixed-price calculation, can be completed profitably. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Increased IT security threats and higher levels of professionalism in computer crime could pose a risk to our systems, networks, products, solutions and services as well as to those of our service providers: Our business portfolio includes a broad array of systems, networks, products, solutions and services across our Sectors that rely on digital technologies. We observe a global increase in IT security threats and higher levels of professionalism in computer crime, which pose a risk to the security of systems and networks and the confidentiality, availability and integrity of data. We attempt to mitigate these risks by employing a number of measures, including employee training, comprehensive monitoring of our networks and systems, and maintenance of backup and protective systems such as firewalls and virus scanners. To the extent we employ service providers, such as in the area of IT infrastructure, we have contractual arrangements in place in order to ensure that these risks are reduced in a similar manner. Nonetheless, our systems, networks, products, solutions and services, as well as those of our service providers remain potentially vulnerable to attacks. Depending on their nature and scope, such attacks could potentially lead to the leakage of confidential information, improper use of our systems and networks, manipulation and destruction of data, defective products, production downtimes and supply shortages, which in turn could adversely affect our reputation, competitiveness, business, financial condition and results of operations.

Financial

We are exposed to currency risks and interest rate risks: We are exposed to fluctuations in exchange rates, especially 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. In addition, we are exposed to currency effects involving the currencies of emerging markets such as China, India and Brazil. As a result, a strong euro in relation to the U.S. dollar and other currencies 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. Our Sectors and SFS 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 results and lead to earnings volatility. A strengthening of the euro (particularly against the U.S. dollar) may 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.

We are exposed to volatile credit spreads: Regarding our Corporate Treasury activities, widening credit spreads due to uncertainty and risk aversion in the financial markets might lead to changing fair market values of our existing trade receivables and derivative financial instruments. In addition, we also see a risk of increasing refinancing costs if the Eurozone sovereign debt crisis with its ongoing significant impact on global financial markets, and the European financial sector in particular, continues or even worsens. Any such development could also further increase the costs for buying protection on credit risks due to a potential increase of counterparty risks.

Our future financing via Corporate Treasury may be affected by the uncertainty of economic conditions and the development of capital and financial markets, in particular: Our Corporate Treasury is responsible for the financing of the Company. Negative developments in the foreign exchange, money or capital markets, such as limited availability of funds (particularly U.S. dollar funds), may increase our overall cost of funding. The worldwide financial market crisis triggered by Lehman s bankruptcy as well as the ongoing Eurozone sovereign debt crisis continue to have an impact on global capital markets. These developments and the resulting higher risk awareness of investors and governments, in particular, may lead to further regulation of the financial sector and the use of financial instruments, could influence our future possibilities of obtaining debt financing, and may significantly increase credit spreads. Regarding our Corporate Treasury activities, deteriorating credit quality and/or default of counterparties may adversely affect our financial conditions and results of operations.

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Downgrades of our ratings could increase our cost of capital and could negatively affect our businesses: Our business, financial condition and results of operations are influenced significantly by the actual and expected performance of the Sectors and SFS, 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 could result in the deterioration of our credit rating. Downgrades by rating agencies could increase our cost of capital, may reduce our potential investor base and may negatively affect our businesses.

Our financing activities subject us to various risks, including credit, interest rate and foreign exchange risk: We provide our customers with various forms of direct and indirect financing in connection with large projects. We also finance a large number of customer orders, for example, the leasing of medical equipment, mainly through SFS. SFS also incurs credit risk by financing third-party equipment or by taking direct or indirect participations in financings, such as syndicated loans. In part, we take a security interest in the assets we finance or we receive additional collateral. Our business, financial conditions and results of operations may be adversely affected if the credit quality of our customers deteriorates or if they default on their payment obligation to us, if the value of the assets in which we have taken a security interest or additional collateral declines, if interest rates or foreign exchange rates fluctuate, or if the projects in which we invest are unsuccessful. Potential adverse changes in economic conditions could cause a further decline in the fair market values of assets, derivative instruments as well as collateral, resulting in losses which could have a negative effect on our business, financial condition and results of operations.

Our financial condition and results of operations may be adversely affected by several parameters influencing the funded status of our pension benefit plans: The funded status of our pension plans may be affected by an increase or decrease in the defined benefit obligation (DBO), as well as by an increase or decrease in the value of plan assets. Pensions are accounted for 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 such as the discount rate, expected rate of return on plan assets, rate of future compensation increases and pension progression. Actual developments may differ from assumptions due to changing market and economic conditions, thereby resulting in an increase or decrease in the DBO. Significant movements in financial markets or a change in the portfolio mix of invested assets can result in corresponding increases or decreases in the value 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 assumptions may result in changes in the net periodic benefit cost in the following financial year. In order to comply with local pension regulations in selected foreign countries, we may face a risk of increasing cash outflows to reduce an underfunding of our pension plans in these countries, if any. At the end of fiscal 2011, the combined funded status of Siemens pension benefit plans showed an underfunding of 6.5 billion, compared to an underfunding of 7.4 billion at the end of fiscal 2010. The underfunding at the end of fiscal 2011 included approximately 0.3 billion related to OSRAM. Further, the combined funded status of Siemens other post-employment benefit plans showed an underfunding of 0.8 billion at the end of fiscal 2011, compared to an underfunding of 0.8 billion at the end of the prior fiscal year. For further information, see Item 5: Operating and financial review and prospects Critical accounting estimates and Item 18: Financial Statements Notes to Consolidated Financial Statements.

Compliance

We are subject to regulatory risks associated with our international operations: Protectionist trade policies and changes in the political and regulatory environment in the markets in which we operate, such as foreign exchange import and export controls, tariffs and other trade barriers and price or exchange controls, could affect our business in several national markets, impact our sales and profitability and make the repatriation of profits difficult, and may expose us to penalties, sanctions and reputational damage. In addition, the uncertainty of the legal environment in some regions could limit our ability to enforce our rights. For example, as a globally operating organization, we conduct business with customers in countries that are subject to export control regulations, embargoes, sanctions or other forms of trade restrictions imposed by the U.S., the European Union or other countries or organizations. Business with customers in Iran has recently become subject to significant further regulation under Resolution 1929 (2010) of the Security Council of the United Nations, the U.S.

Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 enacted on July 1, 2010 (CISADA), including implementing measures thereto on federal and state level, as well as the Council Regulation (EU) No. 961/2010 of October 25, 2010 on a tightening of the sanctions regime against Iran, extended by Council Implementing Regulation (EU) No. 503/2011 of May 23, 2011. Even though we have decided, as a general rule, as described in more detail in Item 4: Information on the Company Overview not to enter into new contracts with customers in Iran, we may still conduct certain business activities and provide products and services to customers in Iran under limited circumstances in accordance with the detailed policies implementing this general rule. New or tightened export control regulations, sanctions, embargos or other forms of trade restrictions imposed on Iran or on other sanctioned countries in which we do business may result in a curtailment of our existing business in such countries and in an adaptation of our policies. In addition, the termination of our activities in Iran or other sanctioned countries may expose us to customer claims and other actions. We are continuously evaluating the potential impact, if any, of the above-referenced Iran legislation or any amendments thereto on, among other things, pre-existing contractual obligations in our Energy Sector s business in Iran.

We expect that sales to emerging markets will continue to account for an increasing portion of our total revenue, as our business naturally evolves and as developing nations and regions around the world increase their demand for our offering. Emerging market operations involve various risks, including civil unrest, health concerns, 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. The Asian markets, in particular, 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. Our Sectors, particularly those that derive their revenue from large projects, could be adversely affected if future demand, prices and gross domestic product in the markets in which those Sectors operate do not develop as favorably as expected. If any of these risks or similar risks associated with our international operations were to materialize, our business, financial condition and results of operations could be materially adversely affected.

Current and future investigations regarding allegations of public corruption and other illegal acts could have a material adverse effect on the development of future business opportunities, our net assets, financial condition and results of operations, the price of our shares and American depository shares (ADS) and our reputation: 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 intergovernmental and supranational organizations such as multilateral development banks. If we are found to have been engaged in public corruption and other illegal acts, such activities may impair our ability to do business with these or other organizations. Starting in 2006, public prosecutors and other government authorities in certain jurisdictions around the world investigated allegations of corruption at a number of our former business groups and regional companies. Our evaluation of the allegations led our management to identify a material weakness in our internal controls over financial reporting as of September 30, 2006 and 2007. We were able to settle most of the governmental cases, including proceedings initiated by the Munich public prosecutor, the U.S. Department of Justice and the U.S. Securities and Exchange Commission. In connection with these settlements and other legal proceedings in Germany, we paid a total of 1.2 billion to authorities in the U.S. and Germany in fiscal 2008 and fiscal 2009. In addition, we engaged a compliance monitor to evaluate and report, for a period of up to four years, on the Company s progress in implementing and operating its new compliance program.

A number of governmental investigations are pending and additional investigations may be launched from time to time by governmental authorities around the world. Based on our past experience, there is also a risk of ongoing investigations being expanded. Corruption and related proceedings may lead to criminal and civil fines as well as penalties, sanctions, injunctions against future conduct, profit disgorgements, disqualifications from directly and indirectly engaging in certain types of business, the loss of business licenses or permits or other restrictions. Accordingly, we may be required to record material provisions to cover potential liabilities arising in connection with such investigations and proceedings, including potential tax penalties. Moreover, any findings related to public corruption that are not covered by the settlements described above may endanger these, further monitors could be appointed to review future business practices and we may otherwise be required to further modify our business practices and our compliance program.

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Our involvement in ongoing and potential future corruption proceedings could damage our reputation and have an adverse impact on our ability to compete for business from public and private sector customers around the world. If we or our subsidiaries are found to have engaged in certain illegal acts or not to have taken effective steps to address allegations or findings of corruption in our business, this may impair our ability to participate in business with governments or intergovernmental organizations and may result in our formal exclusion from such business. Even if we are not formally excluded from participating in government business, government agencies or intergovernmental or supranational organizations may informally exclude us from tendering for or participating in certain contracts. For example, legislation of member states of the European Union could in certain cases result in our mandatory or discretionary exclusion from public contracts in case of a conviction for bribery and certain other offences or for other reasons. As described in more detail in Item 4: Information on the Company Legal proceedings, we or our subsidiaries have in the past been excluded or currently are excluded from some contracting, including with governments, development banks and multilateral financial institutions, as a result of findings of corruption or other misconduct. Ongoing or potential future investigations into allegations of corruption could also impair existing relationships with, and our ability to acquire new, private sector business partners. For instance, such investigations may adversely affect our ability to pursue potentially important strategic projects and transactions, such as strategic alliances, joint ventures or other business combinations, or could result in the cancellation of certain of our existing contracts and the commencement of significant third-party litigation, including by our competitors.

In addition, developments in ongoing and potential future investigations, such as responding to the requests of governmental authorities and cooperating with them, could divert management s attention and resources from other issues facing our business. The materialization of any of these risks could have a material adverse effect on the development of future business opportunities, our net assets, financial condition and results of operations, the price of our shares and ADS and on our reputation.

Our business could suffer as a result of current or future litigation: We are subject to numerous risks relating to legal, governmental and regulatory proceedings to which we are currently a party or to which we may become a party in the future. We routinely become subject to legal, governmental and regulatory investigations and proceedings involving, among other things, requests for arbitration, allegations of improper delivery of goods or services, product liability, product defects, quality problems, intellectual property infringement, non-compliance with tax regulations and/or alleged or suspected violations of applicable laws. In addition, we may face further claims in connection with the circumstances that led to the corruption proceedings described above. For additional information with respect to specific proceedings, see Item 4: Information on the Company Legal proceedings. There can be no assurance that the results of these or any other proceedings will not materially harm our business, reputation or brand. Moreover, even if we ultimately prevail on the merits in any such proceedings, we may have to incur substantial legal fees and other costs defending ourselves against the underlying allegations. We record a provision for legal risks when (1) we have a present obligation as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation. In addition, we maintain liability insurance for certain legal risks at levels our management believes are appropriate and consistent with industry practice. Our insurance policy, however, does not protect us against reputational damage. Moreover, we may incur losses relating to legal proceedings beyond the limits, or outside the coverage, of such insurance. Finally, there can be no assurance that we will be able to maintain adequate insurance coverage on commercially reasonable terms in the future. Each of these risks may have a material adverse effect on our business, financial condition and results of operations, and our provisions for legal proceedings-related losses may not be sufficient to cover our ultimate losses or expenditures.

Examinations by tax authorities and changes in tax regulations could adversely affect our business, financial condition and results of operations: We operate in around 190 countries and therefore are subject to different tax regulations. Changes in tax law could result in higher tax expense and payments. Furthermore, legislative changes could materially impact our tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities. In addition, the uncertain tax environment in some regions could limit our ability to enforce our rights. As a globally operating organization, we conduct business in countries subject to complex tax rules, which may be interpreted in different ways. Future interpretations or developments of tax regimes may affect our tax liability, return on investments and business operations. We are regularly examined by tax authorities in various jurisdictions.

We are subject to environmental and other government regulations: Some of the industries in which we operate are highly regulated. Current and future environmental and other government regulations or changes thereto may require us to change the way we run our operations and could result in significant increases in our operating or product costs. In addition, while we have procedures in place to ensure compliance with applicable governmental regulations in the conduct of our business operations, it cannot be excluded that violations of applicable governmental regulations may occur either by us or by third parties that we contract with, including suppliers or service providers, whose activities may be attributed to us. Any such violations expose us to the risk of liability, reputational damage or loss of licenses or permits that are important to our business operations. In particular, we could also face liability for damage or remediation for environmental contamination at the facilities we design or operate. For example, we are required to bear environmental clean-up costs mainly related to remediation and environmental protection liabilities which have been accrued based on the estimated costs of decommissioning facilities for the production of uranium and mixed-oxide fuel elements in Hanau, Germany, as well as a nuclear research and service center in Karlstein, Germany. For further information, see Item 4: Information on the Company Environmental matters and Item 18: Financial Statements Notes to Consolidated Financial Statements. We establish provisions for environmental risks when (1) we have a present obligation as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) 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 our business, financial condition and results of our operations. In addition, our provisions for environmental liabilities may not be sufficient to cover our ultimate losses or expenditures resulting therefrom.

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, 80333 Munich, Germany; telephone number +49 (89) 636 00.

During fiscal 2011, Siemens employed an average of 350,500 people on a continuing basis and operated in around 190 countries worldwide. In fiscal 2011, we had revenue of 73.515 billion. Our balanced business portfolio is based on leadership in electronics and electrical engineering. Following our strategy to benefit from global megatrends, we initiated a change in the organizational structure of our Sectors during fiscal 2011, which became effective October 1, 2011. Beginning with fiscal 2012, we formed a fourth Sector, Infrastructure & Cities, in addition to our existing three Sectors Industry, Energy and Healthcare, in order to benefit from the growth of urban centers. Financial reporting for fiscal 2011 continued to be based on the organizational structure effective until September 30, 2011. For further information, see Item 4: Information on the company Description of business Infrastructure & Cities. We will combine the expertise in our four Sectors with a commitment to original research and development (R&D) to build strong global market positions. The Industry Sector s portfolio ranges from industry automation and drives products and services to system integration and solutions for plant business. The Energy Sector offers a wide spectrum of products, services and solutions for the generation and transmission of power and for the extraction, conversion and transport of oil and gas. The new Sector Infrastructure & Cities bundles capabilities of the Industry Sector in the area of building and mobility solutions and services and of the Energy Sector in the area of power distribution, including Smart Grid applications. The Healthcare Sector develops, manufactures and markets diagnostic and therapeutic systems, devices and consumables, as well as information technology systems for clinical and administrative purposes. Besides these activities, Financial Services (SFS) supports Sector activities as a business partner while continuing to build up its own business with external customers. The segment Equity Investments comprises equity stakes held by Siemens that are either accounted for by the equity method, at cost or as current available-for-sale financial assets and are not allocated to a Sector, SFS, Centrally managed portfolio activities, Siemens Real Estate (SRE), Corporate items or Corporate Treasury for strategic reasons. 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 primarily the Energy Sector and the mobility solutions business within the Infrastructure & Cities Sector, which until the end of fiscal 2011 was part of the Industry Sector. The Healthcare Sector s business activities are relatively unaffected by short-term economic trends but are dependent on regulatory and policy developments around the world. 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 automation and parts of drives operations within the Industry Sector. Our businesses, especially the Healthcare Sector, are also substantially influenced by technological change and the rate of acceptance of new technologies.

As a globally-operating organization, we also conduct business with customers in Iran, Syria and Cuba. 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 revenue in fiscal 2011) and do not, in our view, represent either individually or in aggregate a material investment risk. We actively employ systems and procedures for compliance with applicable export control programs, including those in the United States, the European Union and Germany.

As previously disclosed, we have decided that, subject to the exceptions outlined below, we will not enter into new contracts with customers in Iran. Accordingly, we have issued group-wide policies that establish the details of our general decision. Under these policies, Siemens shall not tender further bids for direct deliveries to customers in Iran. Furthermore, indirect deliveries from Siemens to Iran via external third parties, including companies in which Siemens holds a minority stake, are generally prohibited unless an exception is specifically approved under certain circumstances. Notwithstanding the foregoing, products and services for humanitarian purposes, including the products and services supplied by our Healthcare Sector, and products and services required to service the installed base (e.g. spare parts and maintenance and assembly services) may still be provided under the policies. Finally, pre-existing commitments to customers in Iran may be honored, i.e. legally binding obligations resulting from agreements that existed, or bids that were submitted, before the aforementioned policies were announced and adopted. Although, over time, we expect our business activities in Iran to decline as a result of the implementation of the policies described above and the related reduction of the number of new contracts, the actual development of our revenues will largely depend on the timing and scope of customer requests to fulfill pre-existing commitments. For additional information, see Item 3: Key information Risk factors.

Strategy

Global megatrends

Global megatrends are long-term developments that are expected to have an impact on all humanity. We at Siemens view demographic change, urbanization, climate change and globalization as megatrends that we anticipate will drive global demand in coming decades. We have therefore aligned our strategy and business activities with these developments, including most recently by implementing our new Sector structure with effect from October 1, 2011. In our Energy, Healthcare and Industry Sectors and the new Infrastructure & Cities Sector we are developing pioneering products and solutions which we believe are capable of dealing with the most significant challenges of our time. These include contributing to improved healthcare for a growing and aging population, helping to save our climate and resources through sustainable energy generation, and shaping urban infrastructures in an energy-efficient and, thus, environmentally-friendly way.

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Demographic change includes two major trends: the world s population continues to grow rapidly and to get older. It is estimated that by the year 2050 the world s population will reach nine billion, compared to approximately seven billion today. By then, life expectancy is expected to be at a global average of 76 years, compared to 68 years today and 46 years in 1950. This will challenge the ability of future healthcare systems to make affordable healthcare available to everyone. Siemens provides innovative medical solutions that can help to reduce healthcare costs, while at the same time improving the quality of healthcare, through preventive care and early diagnosis of disease two essential requirements for living longer, healthier lives.

Urbanization refers to the growing number of large, densely-populated cities around the world. This includes both established metropolitan centers in industrialized nations and fast-rising urban centers in emerging economies. In 2009, for the first time in human history, more than 50% of the world s population lived in urban areas. This percentage is expected to rise to about 70% by 2050, coinciding with rapid overall population growth as mentioned above. Accordingly, there is strong demand for sustainable and energy-efficient infrastructures for buildings, transportation systems, and energy and water supply. We believe that Siemens wide-ranging portfolio is well-suited for improving the quality of life in cities. We believe that our products and solutions for manufacturing, urban transit, building construction, power distribution and hospitals, among other things, can help to advance mobility, security and an adequate supply of life s basic requirements while at the same time reducing their burden on the environment.

Climate change is a fact. The average global surface temperature increased by 0.76°C between 1850 and the beginning of the 21st century. If carbon dioxide emissions continue to rise at the same rate, temperature increases of 1.8°C (lowest emission scenario) to 4°C (highest emission scenario) are forecast for the end of the 21st century, which would have far-reaching consequences for civilization and our entire biosphere. The reduction of greenhouse gas emissions is vital to avoiding increasingly drastic effects on our ecosystem. There is a strong need for innovative technologies to increase efficiency and reduce the emissions related to energy generation and consumption. Siemens is a leader in climate protection technologies, including but not limited to increasing the efficiency of power generation from fossil fuels; generating energy from renewable sources such as wind and solar; increasing the efficiency and performance of electrical grids; increasing the energy efficiency of transportation solutions and industrial processes; reducing the energy needs of buildings; and reducing emissions from all of the above.

Globalization refers to the increasing integration of the world s economies, politics, culture and other areas of life. Between 1950 and 2007, the volume of global trade expanded at an average annual rate of 6.2%. The number of multinational enterprises rose globally from around 10,000 in 1968/69 to more than 80,000 in 2008. Globalization leads to increased competitive pressure and demand for economical, timely-to-market, high-quality products and solutions. With our offerings, we aim to increase our customers productivity by facilitating process and energy efficiency improvements and the flow of goods. In addition, we believe that our presence in around 190 countries puts us in an excellent position to benefit from above-average growth in emerging markets.

Strategy of the Siemens Group

Our **vision** is to be a pioneer in

- energy efficiency,
- industrial productivity,
- affordable and personalized healthcare, and
- intelligent infrastructure solutions.

This vision is reflected in our company strategy, which guides us in turning our vision into reality. Above all, we are aiming to be a market and technology leader in our businesses, based on our corporate values to be **responsible**, **excellent** and **innovative**. We believe that this approach will position us to achieve sustainable, profitable growth and to outpace our competitors. As an integrated technology company, we intend to profit from the megatrends described above.

Our strategy comprises what we call our **three strategic directions**:

- focusing on innovation-driven growth markets,
- getting closer to our customers, and
- using the power of Siemens.

One Siemens is our framework for sustainable value creation, with a financial target system for capital-efficient growth and the goal of continuous improvement relative to the market and our competitors.

We will measure our performance against our competitors. Our goal and our aspiration is to consistently outperform our competitors and to set standards for leadership with respect to financial performance as well as operational strength. The financial target system of One Siemens defines financial key performance indicators for revenue growth, for capital efficiency and profitability, and for the optimization of our capital structure. In addition, we set hurdle rates that generally need to be considered before acquisitions are executed. Further, we defined an indicator targeted at an attractive dividend policy. We believe that these indicators will play a key role in driving the value of our Company. For further information, see Item 5: Operating and financial review and prospects Business and operating environment Financial performance measures.

To achieve our goal of sustainably enhancing the value of Siemens and of exploiting the full potential of our integrated technology company, we have defined three concrete focus areas along each of the three strategic directions set forth above, which we aim to address in the years ahead. In the strategic direction of **focusing on innovation-driven growth markets**, our first focus area is to **be a pioneer in technology-driven markets**. We intend to concentrate on innovation- and technology-driven markets that will form the basis of Siemens core business in the future, for example, by providing intelligent and sustainable infrastructure solutions for the world s cities. Our second focus area is to **strengthen our portfolio**. We are actively and systematically managing our portfolio with the principal aim of achieving or maintaining a no. 1 or no. 2 position in our current and future markets. To **provide a leading environmental portfolio** is our third focus area: Not only does our Environmental Portfolio enhance our Company s revenue, it also makes a significant contribution to climate protection. Within our One Siemens framework we have set ourselves the target in fiscal 2010 to exceed 40 billion in revenue from the Environmental Portfolio by the end of fiscal 2014. We continue to strive for that goal, although due to the planned public offering of OSRAM AG, it will be more challenging to achieve it.

In the second strategic direction of **getting closer to our customers**, one of our focus areas is to **grow in emerging markets** while maintaining our position in our established markets. We plan to offer more products, solutions and services for the rapidly growing entry-level segments, which are more price sensitive and mostly found in emerging markets. As a consequence, we aim to continuously increase our share of revenue from emerging markets. A second focus area is to **expand our service business**, which is highly diversified and broadly distributed throughout our Company. We believe that the large installed base of our products and solutions at our clients provides promising growth opportunities for our service business. Services play a key role in profitability at Siemens and, in addition, long-term service agreements are less likely to be impacted by economic fluctuations. To **intensify our customer focus** and to increase customer satisfaction is our third focus area. We believe that customer proximity and local presence are important factors in being able to respond quickly to changing market requirements.

In the strategic direction of **using the power of Siemens**, our first focus area is to **encourage lifelong learning and development** of our employees. We invest continuously in expanding the expertise of our people through demanding training and education programs. We aim to develop our employees worldwide by identifying talent and offering challenging tasks. To **empower our diverse and engaged people worldwide** is our second focus area which involves strengthening diversity. We believe that the strong potential of our employees skills, experience and qualifications can give us a clear competitive advantage in our global markets. The third focus area is to **stand for integrity**. On the basis of our values, we have formulated clear and binding principles of conduct that cover all aspects of our entrepreneurial activities.

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Segment strategies

The following overview of the strategies of our segments takes into account the new Sector structure that became effective as of October 1, 2011. All Sectors share the common target established in our One Siemens framework: to grow faster than our competitors without compromising profitability in order to reach or maintain a leading position in their respective markets.

Our **Energy** Sector covers the entire energy landscape, comprising large power plants, distributed generation, transmission networks and energy storage. As an integrated technology organization with a thorough understanding of local markets around the globe, the Sector offers a comprehensive portfolio of products, solutions and services. They help our customers to provide reliable and affordable electric power, while becoming more efficient in energy consumption and in reducing their environmental impact. The Energy Sector occupies a leading position in its industry in terms of technology and continues to set industry standards.

Our **Healthcare** Sector strives to be the pioneer in affordable and personalized healthcare. We aim to generate high returns by helping our customers to gain efficiencies in healthcare delivery a key imperative to meet globally increasing demand for healthcare in constrained budget environments. We drive innovation across our portfolio to meet tomorrow s clinical and financial demands of our customers and to continuously improve our cost position. We push operational excellence in our various businesses, and tap into new growth opportunities in healthcare, characterized by closer integration between diagnostics and therapy and by increasing demand from emerging markets. The Sector s integrated approach combines medical imaging and therapy systems, laboratory diagnostics and healthcare IT systems to address the entire medical treatment chain from prevention and early detection to diagnosis, therapy and aftercare.

Our **Industry** Sector is one of the world s leading suppliers of productivity, flexibility and efficiency offerings for industrial enterprises. The Sector aims to make its customers technological processes, such as production or engineering, more competitive over the entire lifecycle of their technology investments. The Sector s innovative and environmentally friendly products, systems, services and solutions are designed specifically to increase the productivity and flexibility of its customers and to help them to make more efficient use of resources and energy. Our Industry Sector relies on common Siemens technology platforms, such as Totally Integrated Automation, or TIA. The Sector provides vertical market offerings based on its close relationships with customers and in-depth knowledge of their business challenges an approach that differentiates the Industry Sector from its competitors.

Our new **Infrastructure & Cities** Sector bundles various technologies and businesses under one roof in order to offer cities and infrastructure customers innovative and sustainable solutions. The business portfolio includes transportation, logistics, building and smart grid technologies to improve energy efficiency, infrastructure productivity and quality of life. Cities are among our most important customers, representing an area where we foresee strong growth. Sustainable urban infrastructures are just as important for rapidly growing megacities as they are for large and medium-sized cities all over the world. As an integrated technology organization, our Infrastructure & Cities Sector builds on a large portfolio of green infrastructure technologies to meet the needs of its customers.

Financial Services (SFS) has three strategic cornerstones: supporting Siemens business activities by providing financing solutions to customers of the Sectors, generating profit through financing activities within Siemens domains, and managing the financial risks of Siemens. SFS combines financing expertise with asset know-how in the Siemens domains.

Portfolio activities

Since fiscal 2009, we have completed the following transactions to optimize our business portfolio for sustainable profitability and growth:

Acquisitions

At the beginning of July 2011, OSRAM completed the acquisition of 100% of Siteco Lighting GmbH, a developer, designer and manufacturer of professional lighting fixtures;

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Siemens increased its stake in its publicly listed Indian subsidiary Siemens Ltd. from about 55% to 75%. The transaction was completed at the end of April 2011;

Acquisition of various other entities in fiscal 2011, which were neither material individually nor in aggregate;

At the beginning of November 2009, the Sector Energy s Renewable Division completed the acquisition of 100% of Solel Solar Systems Ltd., a solar thermal power technology company;

Acquisition of various other entities in fiscal 2010, which were neither material individually nor in aggregate; and

Acquisition of various entities in fiscal 2009, which were neither material individually nor in aggregate.

Dispositions and discontinued operations

Dispositions

In July 2011, Siemens signed an agreement to sell its 25% stake in OAO Power Machines, held by the Energy Sector, and classified it as held for disposal; the closing of the transaction is expected in fiscal 2012;

In March 2011, Siemens completed the sale of its 34% stake in the joint venture Areva NP S.A.S., held by the Energy Sector, to Areva S.A. following the receipt of the expert opinion on the fair market value and the payment from Areva S.A.;

The sale of the 49% stake in Krauss-Maffei Wegmann GmbH & Co. KG, held by the Segment Equity Investments, was completed in January 2011;

At the beginning of January 2011, Siemens closed the disposal of its Electronics Assembly Systems business, which was reported in Centrally managed portfolio activities, to ASM Pacific Technology Ltd;

In December 2010, Siemens completed the transfer of its 19.8% stake in GIG Holding GmbH (owner of all shares of Gigaset Communications GmbH) to ARQUES Industries AG; 80.2% of the Siemens Home and Office Communication Devices Business, reported in Centrally managed portfolio activities, had already been transferred in October 2008;

At the end of December 2009, the Sector Healthcare sold its 25% minority stake in Dräger Medical AG & Co. KG to the majority shareholder Drägerwerk AG & Co. KGaA;

At the beginning of November 2009, the Sector Industry s Mobility Division sold its Airfield Solutions Business; and

The sale of Siemens 50% stake in Fujitsu Siemens Computers (Holding) BV (FSC), held by the segment Equity Investments, closed at the beginning of April 2009.

Discontinued operations

At the end of March 2011, Siemens announced that it plans to publicly list its subsidiary OSRAM AG (formerly OSRAM GmbH). Following the announcement, Siemens classified OSRAM as held for disposal and as discontinued operations. Siemens intends to retain a minority stake in OSRAM AG and to remain a long-term anchor shareholder; and

In December 2010, Siemens and Atos S.A. (AtoS) signed an option agreement which granted AtoS the right to acquire Siemens IT Solutions and Services. This option was exercised by AtoS in February 2011 and Siemens classified Siemens IT Solutions and Services as held for disposal and as discontinued operations. On July 1, 2011, the transaction closed following the relevant antitrust approvals and the approval by AtoS shareholders.

For a detailed discussion of our acquisitions, dispositions and discontinued operations, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

DESCRIPTION OF BUSINESS

Our financial reporting as of September 30, 2011 comprised five reportable segments. These segments consisted of:

- three Sectors, Industry, Energy and Healthcare, which were reported along with eleven Divisions which comprise the Divisions Industry Automation, Drive Technologies, Building Technologies, Industry Solutions and Mobility, belonging to the Industry Sector, the Divisions Fossil Power Generation, Renewable Energy, Oil & Gas, Power Transmission and Power Distribution, belonging to the Energy Sector and the Division Diagnostics, belonging to the Healthcare Sector,

- Equity Investments and

- Financial Services (SFS).

The following figure shows Siemens segment reporting structure for the periods covered by this annual report:

During fiscal 2011, we initiated a change in the organizational structure of our Sectors which became effective as of October 1, 2011. Beginning with fiscal 2012, we formed a fourth Sector, Infrastructure & Cities, in order to benefit from the growth of urban centers. The new Sector comprises the activities of the Industry Sector s Divisions Building Technologies and Mobility and the Energy Sector s Division Power Distribution including Smart Grid applications. For further information on the new Sector, see Item 4: Information on the company Description of business Infrastructure & Cities. Financial reporting for fiscal 2011 continued to be based on the organizational structure effective until September 30, 2011.

INDUSTRY

In fiscal 2011, the Industry Sector offered a complete spectrum of products, services and solutions for the efficient use of resources and energy and improvements of productivity in industry and infrastructure. Its integrated technologies and holistic solutions addressed primarily industrial customers, such as process and manufacturing industries, and infrastructure customers, especially in the areas of transport, buildings and water utilities. The portfolio spanned industry automation and drives products and services, system integration and solutions for industrial plant businesses and building and mobility solutions and services.

The following table provides key financial data concerning the Industry Sector.

	Year ended September 30, 2011
Total revenue	32.941 billion
External revenue	31.635 billion
External revenue as percentage of Siemens revenue	43.03%
Sector profit	3.618 billion

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The following chart provides a geographic breakdown of the Industry Sector s external revenue in fiscal 2011.

The Industry Sector originally consisted of six Divisions: Industry Automation, Drive Technologies, Building Technologies, Industry Solutions, Mobility and OSRAM. OSRAM was classified as discontinued operations at the end of the second quarter of 2011 and is reported as discontinued operations for all periods presented herein.

During fiscal 2011, Siemens announced a change in reportable segments involving the introduction of a new Sector, Infrastructure & Cities, with effect from October 1, 2011. In connection with this reorganization, two of the Industry Sector s Divisions, Building Technologies and Mobility, are transferred to the new Infrastructure & Cities Sector and their business activities integrated in a different Division structure. For further information on the new Sector see Item 4: Information on the company Description of business Infrastructure & Cities. The Industry Solutions Division was dissolved and its business activities divided up among the Industry Automation Division, the Drive Technologies Division and a new sector-led Business Unit Metals Technologies. In addition, a new Customer Services Division was formed, which bundles all service activities of the Industry Sector. Financial results relating to the Customer Services Division are reflected in the Industry Automation and Drive Technologies Divisions as well as in the Metals Technologies Business Unit and are therefore not reported separately. Accordingly, as of fiscal 2012, the Industry Sector consists of the three Divisions Industry Automation, Drive Technologies and Customer Services as well as the Metals Technologies Business Unit. The Sector focuses solely on industrial customers, supporting them with products, systems, solutions and services that aim to improve their competitiveness.

The following description of the Industry Sector s business is based on the five Divisions Industry Automation, Drive Technologies, Building Technologies, Industry Solutions and Mobility, which were in place until the end of fiscal 2011.

The **Industry Automation** Division offers automation systems such as programmable logic controllers and process control systems, sensors such as process instrumentation and analytics, and industrial software such as product lifecycle management and manufacturing execution systems software. The Division s portfolio ranges from standard products and systems for the manufacturing, processing and construction industries to solutions for entire industrial vertical markets, including automation solutions for entire automobile production facilities and chemical plants. The water business and certain plant solution and service business activities of the Industry Solutions Division were integrated into the Industry Automation Division with effect from October 1, 2011.

The **Drive Technologies** Division offers integrated technologies that cover a wide range of drive applications with electrical components such as standard motors and drives for conveyor belts, pumps and compressors, heavy duty motors and drives for rolling steel mills, compressors for oil and gas pipelines and mechanical components such as gears for wind turbines and cement mills. Drive Technologies offers products such as automation systems and services for production machinery and machine tools. The Division s portfolio includes standard products as well as industry-specific control and drive solutions for wind power, metal forming, printing and electronic manufacturing as well as solutions for manufacturers of glass, wood, plastic, ceramic, textile and packaging equipment and crane systems. In fiscal 2011, the Division released first prototypes of motors and inverters for e-Cars. Certain business activities of the Industry Solutions Division, especially with regard to plant solutions and services in the mining, pulp and paper, marine and cement industries, were integrated into the Drive Technologies Division with effect from October 1, 2011.

The **Building Technologies** Division offers products, services and solutions for commercial, industrial, public and residential buildings, including building automation, comfort, building safety and security, low-voltage switchgear such as circuit protection and distribution products, and building operations. In addition, the Division offers energy solutions, aiming to improve a building s energy cost, reliability and performance while minimizing its impact on the environment. The Division s broad range of offerings includes heating and ventilation controls, security systems and devices such as intruder detection, video surveillance and building access control, fire safety solutions such as fire detection, protection alarm systems and non-water based fire extinguishing, and electrical installation equipment for buildings such as low-voltage switchgear, sockets and circuit breakers. In connection with the establishment of the new Sector Infrastructure & Cities with effect from October 1, 2011, the Building Technologies Division was transferred to the new Sector and its business activities integrated into a different Division structure.

The **Industry Solutions** Division is Siemens systems integrator and solutions provider for industrial plant businesses, covering planning, construction, operation and maintenance over a plant s entire lifecycle. With its water processing and raw material processing systems, the Division helps to increase the productivity and competitiveness of enterprises in various industries and to meet the need for environmentally compatible solutions. Its processes and systems are applied in the iron and steel production, pulp and paper, cement, marine and mining industries. We also offer equipment for the treatment of potable water and wastewater such as membranes and lab water/high purity water systems, treatment and outsourcing solutions for industrial wastewater, electrical and automation solutions for municipal wastewater and water transport as well as water treatment services. The Industry Solutions Division was dissolved and its business activities divided up among the Industry Automation Division, the Drive Technologies Division and a new sector-led Business Unit, Metals Technologies with effect from October 1, 2011.

The **Mobility** Division s goal is to network distinct transportation systems with one another to move people and goods efficiently. The Division combines Siemens products, solutions and services in operating systems for rail transportation such as central control systems, interlockings and automated train controls, for road traffic including traffic detection, information and guidance, for airport logistics including cargo tracking and baggage handling, for postal automation including letter parcel sorting, and for rail electrification, as well as rail vehicles for mass transit, regional, long-distance transportation, and locomotives. In connection with the establishment of the new Sector Infrastructure & Cities with effect from October 1, 2011, the Mobility Division was transferred to the new Sector and its business activities integrated into a different Division structure.

The Industry Sector s principal customers are industrial, infrastructure and governmental customers in a broad range of markets, including construction and real estate, transportation and logistics, metals and mining, machinery, utilities and automotive. The Sector is active globally, including in emerging markets, especially those in the Asia-Pacific region, which management believes have significant growth potential. Apart from the Siemens Brand, the Sector markets some parts of its portfolio under different brand names (such as Flender for gears or Winergy for wind turbine components), depending on geography and technology.

The Sector sells its products primarily through dedicated personnel in Siemens worldwide network of regional sales units. In addition, it uses original equipment manufacturers, solution providers, installers, general contractors, third-party distributors and independent agents. Its small project businesses (e.g., the businesses of its Building Technologies Division) have a decentralized business organization with a local branch network to deliver solutions to their customers directly.

The large size of some of the Sector s projects (especially in the Mobility Division and in parts of the Industry Solutions and Building Technologies Divisions) occasionally exposes it to risks related to technical performance or specific customers or countries. In the past, the Sector has experienced significant losses on individual projects in connection with such risks. For additional information on these risks, see Item 3: Key information Risk factors.

The Sector has manufacturing locations worldwide, especially throughout North and South America, Western and Eastern Europe, and Asia, allowing it to stay close to its major customers and keep shipping charges low. In recent years, material costs have been negatively affected by significant price increases for metals, energy and other raw materials. The Sector continues to work on reducing the use of hazardous materials (e.g., lead) and to replace them in its products and processes. Sustainable products, such as coking coal free iron production processes (COREX), energy efficient motors and energy management play a major role in its innovation strategy.

Average product lifetimes in the Sector s product businesses tend to be short (typically ranging from one to five years from introduction) and are even shorter where software and electronics play an important role. The lifecycles in the solutions businesses tend to be longer, as the Sector supports its customers with significant services through the whole life of their infrastructures. The timing and extent to which a Division of the Industry Sector is affected by economic cycles depends largely on the kind of business activities it conducts. Divisions where business activities tend to react very quickly to changes in the overall economic environment include Industry Automation and those business activities of Drive Technologies that serve customers in the manufacturing industries. Divisions where business activities are generally impacted later by the changes in the overall economic environment include Building Technologies, Industry Solutions and those business activities of Drive Technologies that serve customers in process industries as well as in the energy and infrastructure sector. The development of markets served by our Mobility Division is primarily driven by public spending. Customers of our Mobility Division usually have multi-year planning and implementation horizons. Our Mobility Division therefore tends to be independent of short-term economic trends.

No single competitor has a broad business portfolio similar to that of the Industry Sector. The Sector s principal competitors with broad portfolios are multinational companies such as ABB, Alstom, Bombardier, Emerson, General Electric (GE), Honeywell, Johnson Controls, Philips, Schneider Electric and Tyco. In the industries in which the Sector is active consolidation is occurring on several levels. In particular, suppliers of automation solutions have supplemented their activities with actuator or sensor technology, while suppliers of components and products have supplemented their portfolio with complementary products for their sales channels.

The main competitors of the Industry Automation Division are ABB, Schneider Electric, Rockwell and Emerson Electric. Within its product lifecycle management business, the Division also competes with, among others, Dassault Systemes and PTC. Competitors of the Drive Technologies Division include companies with broad business portfolios such as ABB, Emerson and Mitsubishi Electric but also specialist companies such as Fanuc, SEW and Baldor. For the Building Technologies Division, the main global competitors of its solutions businesses are large system integrators such as Tyco, Honeywell, Johnson Controls, UTC and Bosch as well as Schneider Electric in some markets. The security business is also facing increased competition from information technology (IT) integrators due to the convergence of physical and IT security. The main competitors of the Division s products business are large multi-national suppliers such as GE, Johnson Controls, Honeywell, Bosch and Schneider Electric. It also faces competition from niche competitors and from new entrants, such as utility companies and consulting firms, exploiting the fragmented energy efficiency market. Competitors of the Industry Solutions Division vary by business area and region. They range from large, diversified multinational to small, highly specialized local companies. The Division s main international competitors include ABB, General Electric, SMS, Danieli and Veolia. The Mobility Division competes in its industry globally 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. Mobility s principal competitors are Alstom and Bombardier.

Moreover, the Sector s Divisions compete with many specialized or local companies, particularly in the European, Chinese and Indian markets. Asian competitors are generally focused on large-scale production and cost cutting. European competitors are focused on high quality lifecycle service. Nevertheless, most major competitors have established global bases for their businesses. In addition, competition in the field has become increasingly focused on technological improvements and price. Intense competition, budget constraints and rapid technical progress within the industry place significant downward pressure on prices. In addition, competitors continuously shift their production to low-cost countries.

ENERGY

In fiscal 2011, the Energy Sector offered a wide spectrum of products, services and solutions for the generation, transmission and distribution of power, and the extraction, conversion and transport of oil and gas. It primarily addresses the needs of energy providers, but also serves industrial companies, particularly in the oil and gas industry. The Energy Sector covers the whole energy conversion chain.

The following table provides key financial data concerning the Energy Sector.

	Year ended September 30, 2011
Total revenue	27.607 billion
External revenue	27.285 billion
External revenue as percentage of Siemens revenue	37.11%
Sector profit	4.141 billion

The following chart provides a geographic breakdown of the Energy Sector s external revenue in fiscal 2011.

In fiscal 2011, the Energy Sector consisted of the following six Divisions: Fossil Power Generation, Renewable Energy, Oil & Gas, Energy Service, Power Transmission and Power Distribution. With effect from October 1, 2011, the Renewable Energy Division was split into the Wind Power Division and the Solar & Hydro Division. In addition, the business activities of the Power Distribution Division were transferred to the new Sector Infrastructure & Cities and integrated into two Divisions of the new Sector. For further information on the new Sector see Item 4: Information on the company Description of business Infrastructure & Cities. Accordingly, as of fiscal 2012, the Energy Sector comprises the following six Divisions: Fossil Power Generation; Oil & Gas; Wind Power; Solar & Hydro; Power Transmission and Energy Service.

The following description of the Energy Sector s business is based on the Divisions, which were in place until the end of fiscal 2011.

The **Fossil Power Generation** Division offers high-efficiency products and solutions for fossil-based power generation. The offering extends from gas and steam turbines and generators to complete turnkey power plants. The Division concentrates on gas and steam turbines and turbo generators, including control systems, in the larger power range, with an emphasis on combined-cycle gas, steam power plants and conventional islands for nuclear power plants. It also develops solutions for instrumentation and control systems for all types of power plants and for use in power generation, including information technology solutions providing management applications from the plant to the enterprise level and is working on the development and production of systems based on emerging technologies such as integrated gasification and carbon capture and storage. In fiscal 2011, the world s largest and most powerful gas turbine in Irsching near Ingolstadt, Germany, which was converted into a high-efficiency combined-cycle power plant, commenced commercial operations. Fossil Power Generation has stakes in other companies such as the Russian power plant supplier OAO Power Machines. During the fourth quarter of fiscal 2011, Siemens signed an agreement to sell its stake in OAO Power Machines. Closing of the transaction is expected in fiscal 2012. The Division is also represented in a number of joint ventures in China, including Shanghai Electric Power Generation Equipment in which Fossil Power Generation holds a stake of 40%. Pursuant to a put notice exercised in fiscal 2009, Siemens sold its 34% investment in Areva NP to the majority shareholder Areva S.A. for 1.620 billion in fiscal 2011. In connection with Siemens exit from the joint venture, an arbitral tribunal of the International Chamber of Commerce (ICC) issued a ruling on the modalities of Siemens exit from the joint venture Areva NP, according to which Siemens had to pay Areva liquidated damages of 0.7 billion including interest. For additional information, see Item 4: Information on the company Legal proceedings and Item 5: Operating and Financial Review and Prospects.

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The **Renewable Energy** Division provides solutions for the production of electricity from renewable energy sources, including wind, solar thermal energy and photovoltaic. In the rapidly growing global wind power market, the Division builds wind turbines from 2.3 megawatts to 3.6 megawatts with rotor diameters spanning 82 to 120 meters for on- and offshore applications, provides services to off- and onshore wind farms and, in coordination with other Divisions within the Energy Sector ensures the efficient linking of wind farms to power grids. In the photovoltaic industry, the Division focuses on ground-based and large roof top systems above 1 megawatt-peak. The Division provides receivers, solar fields and turnkey solutions for solar thermal power plants, partly in cooperation with the Fossil Power and the Oil & Gas Division. In addition to its participations in the wind and solar power business, Siemens holds a minority stake in a joint venture in hydropower generation, Voith Hydro Power Generation. With effect from October 1, 2011, the business activities of the Renewable Energy Division have been divided up between the two new Divisions Wind Power, and Solar & Hydro.

The **Oil & Gas** Division supplies highly efficient small and medium gas and steam turbines for power generation and mechanical drives as well as turbo compressors for a broad range of applications to the oil and gas industries, the petrochemical industry and the metal industry as well other industries. The Oil & Gas Division further offers a variety of automation and electrical products, systems and solutions for field, production and management levels, enterprise intelligence solutions for safe and reliable operation, planning, scheduling and life-cycle services, including feasibility studies, as well as design and performance enhancement programs. With the opening of a new subsea technology center in Trondheim, Norway, and the acquisition of the subsea specialists Bennex AS and Poseidon Group AS, Siemens is extending its portfolio towards subsea power grid solutions.

The **Energy Service** Division offers comprehensive services, including parts and components, for complete power plants including on- and offshore wind farms as well as rotating machines such as gas and steam turbines, generators and compressors. It provides these services using advanced plant diagnostics and systems engineering. The Division also offers power plant maintenance and operation services and emissions control services and systems. Financial results relating to the Division are reflected in the Fossil Power Generation Division, the Oil & Gas Division and the Renewable Energy Division and are therefore not reported separately.

The **Power Transmission** Division covers high-voltage transmission solutions, power transformers, high-voltage switching products and systems, and innovative alternating and direct current transmission systems. The Division 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. In the power transmission process, electricity generated by a power plant is transformed to a high voltage that can be transported efficiently over long distances along overhead lines or underground or subsea cables. This voltage step-up occurs at or near the site of the power plant, and requires transformation, control, transmission, switching and protection systems. High-voltage power then passes through one or more substations, which use distribution switchgear to control the amounts delivered, circuit breakers and surge arresters to protect against transmission hazards and transformers to reduce the voltage to a medium level for safe distribution in populated areas. The Division has secured key components through a joint venture with Infineon Technologies in Germany for design, manufacturing and sale of high performance semiconductors.

The **Power Distribution** Division combines medium-voltage components, systems and solutions, power automation solutions and products as well as services for power equipment and transmission and distribution networks. The Division supplies energy utilities and large industrial power users with equipment, systems and services used to process and distribute power via a distribution grid to the low voltage grid and the end user, respectively. Metering systems measure and record the locations and amounts of power transmitted. With effect from October 1, 2011, the business activities of the Power Distribution Division were transferred to the new Sector Infrastructure & Cities and integrated into two Divisions of the new Sector.

Through the Power Transmission Division and the business activities of the Power Distribution Division, Siemens provides customers with turnkey power transmission systems and distribution substations, discrete products and equipment for integration by the Energy Sector s and the new Infrastructure & Cities Sector s customers into larger systems, information technology systems and consulting services relating to the design and construction of power transmission and distribution networks. These offerings include power systems control equipment and information technology systems, transformers, high-voltage products and power equipment for both alternating and direct current transmission systems; protection and substation control systems; and medium-voltage equipment, including circuit breakers and distribution switchgear systems and components.

In addition to equipment and systems, Siemens offers a growing range of services and integrated solutions for various stages in the power transmission and distribution process through the Power Transmission Division and the business activities of the Power Distribution Division. They 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. As a leading international supplier of intelligent power networks, or smart grids, which use digital technology to improve power reliability, unite large, centralized generation units with small, decentralized ones and achieve cost and energy savings, Siemens through its Power Transmission Division and the offering of its Power Distribution Division is responding to and anticipating these market trends. In fiscal 2011, the Energy Sector continued to strengthen its smart grid portfolio across the entire energy conversion chain and aimed to capture a significant portion of the market, which it expects to grow in coming years due to climate change and rising energy demands as well as liberalized energy markets and economic stimulus programs. As of October 1, 2011 the Power Distribution Division s business activities were transferred to the new Sector Infrastructure & Cities. This transfer includes the company project Smart Grid Applications as well as the global business segment Electromobility, which developed and marketed new products and applications for electromobility solutions, including the last mile to the customer.

The Energy Sector distributes its products and services through its own dedicated sales force, supported by Siemens s worldwide network of regional companies. Additional sales channels include joint ventures and license partners, especially in markets requiring a high degree of local knowledge.

Overall, the Sector s principal customers are large power utilities and independent power producers and power distributors, construction engineering firms and developers. Due to ongoing deregulation in the power industry, its customer base continues to diversify from one formerly composed almost exclusively of power utilities responsible for all stages of power generation, 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 generation, transmission and distribution network. Because certain significant areas of the Sector s business, such as power plant construction, involve working on medium- or longer-term projects for customers who may not require the Sector s services again in the short term, the Sector s most significant customers tend to vary significantly from year to year.

The Energy Sector s business activities vary widely in size from component delivery and comparatively small projects to turnkey contracts for the construction of new power plants with contract values of more than 0.5 billion each. The large size of some of the Sector s projects occasionally exposes it to risks related to technical performance, a customer or a country. In the past, the Sector has experienced significant losses on individual projects in connection with such risks. For additional information about our long-term contracts, see Item 3: Key information Risk factors. Moreover, the Sector generates an increasing proportion of its revenue from oil and gas activities and industrial customers in the developing world. While this region represents a growth market for power generation, transmission and distribution products and systems, the Sector s activities in that region expose it to risks associated with economic, financial and political disruptions that could result in lower demand or affect customers abilities to pay.

The Sector s competitors vary by Division. The **Fossil Power Generation** Division s market consists of a relatively small number of companies, some with very strong positions in their domestic markets. Its principal competitors in gas turbines are GE, ALSTOM Power and Mitsubishi Heavy Industries, whereas its main competitors in steam turbines are ALSTOM Power, Bharat Heavy Electricals Limited, Toshiba and General Electric. In China, manufacturers are mainly focused on their large home market, but have recently begun to transform from local to international suppliers. The Division aims to participate in this growth through a Chinese joint venture. Korean engineering and procurement companies offer a large product and solutions range and establish themselves as one-stop-shops which offer customer solutions out of one hand. In instrumentation and controls, ABB and Emerson are the Division s principal competitors. The principal competitors in the growing wind turbine market served by the **Renewable Energy** Division are Vestas, General Electric, Gamesa, Enercon, Goldwind, Sinovel and Suzlon. Within the solar thermal energy market and the solar field business, the Division s main competitors are Abengoa, Sener and Solar Millenium. Schott Solar is a key competitor for products as a producer of receivers. In the photovoltaic business, where Siemens focuses on large scale power plant engineering, procurement and construction (EPC), which is highly fragmented, competitors include Sunpower, First Solar, Suntech, Belectric, Phoenix Solar, ABB, GE and Schneider. The **Oil & Gas** Division faces a mix of competitors, some with strong global market positions and some with a solid regional focus playing a key role; the Division is further seeing the expansion of some competitors from their home countries, as they seek to develop a global presence. Its principal competitors vary by product; in automation and electrical equipment, they are ABB and Honeywell above all, whereas in compressors and steam and gas turbines, they are General Electric, Solar, MAN Turbo and Dresser Rand. Overall, competition in the markets served by the Oil & Gas Division is characterized by a relatively small number of companies, some with a very strong position in the markets and some with a regional focus, playing key roles. The primary competitors of the **Power Transmission** Division and the **Power Distribution** Division are a small group of large, multinational companies offering a wide variety of products, systems and services. The Power Transmission Division s key global competitors are ABB and Alstom. Further competition comes from regional and niche manufacturers, such as Toshiba, China XD, Crompton Greaves or Tebian Electric Apparatus Stock Co. International competition from manufacturers in emerging countries, such as China, India and Korea is also increasing. The Power Distribution Division holds a leading position in its markets. Its key competitors are ABB, Schneider and Areva. In addition, local competitors in certain regional markets such as China and India are also starting to develop international business and have begun to venture into export markets. Increasing international competition from local and regional competitors in low-cost countries is one of the reasons why the Power Transmission Division and the Power Distribution Divisions entered into several joint ventures in China, which is the Sector s largest national power transmission and distribution market.

Healthcare

The Healthcare Sector offers customers a comprehensive portfolio of medical solutions across the value-added chain ranging from medical imaging to in vitro diagnostics to interventional systems and clinical information technology systems all from a single source. In addition, the Sector provides technical maintenance, professional and consulting services, and, together with Financial Services (SFS), financing to assist customers in purchasing the Sector s products.

The following table provides key financial data concerning the Healthcare Sector.

	Year ended September 30, 2011
Total revenue	12.517 billion
External revenue	12.463 billion
External revenue as percentage of Siemens revenue	16.95%
Sector profit	1.334 billion

The following chart provides a geographic breakdown of the Healthcare Sector s external revenue in fiscal 2011.

The Healthcare Sector comprises the following three Divisions, one Operational Unit and one separate Sector-led Business Unit. In addition to the financial results for the Sector, financial results are also reported externally for the Diagnostics Division.

The **Imaging & Therapy Systems** Division merges the business with large-scale medical devices for diagnostic imaging and for therapy solutions. Imaging equipment includes computer tomographs, magnetic resonance imaging equipment, and positron emission tomography. Siemens is a market leader in this field. Therapy solutions mainly comprise angiography systems, linear accelerators, particle therapy systems, and minimally invasive procedures. These systems are closely linked with imaging equipment, in particular in the area of therapy planning. Under the umbrella of the new Division, Siemens intends to better leverage synergies between imaging equipment and therapy solutions and to strengthen its leading position in these markets. In the third quarter of fiscal 2011, we reevaluated the commercial feasibility of particle therapy for general patient treatment. Going forward, we will shift the focus of certain particle therapy projects primarily to research. In accordance with project accounting rules, we took project charges and reduced third-quarter revenue in the Imaging & Therapy Systems Division by the amount of revenue recognized from the projects in prior periods. For further information, see Item 5: Operating and financial review and prospects Fiscal 2011 compared to fiscal 2010 Segment information analysis Sectors Healthcare.

The **Clinical Products** Division mainly comprises the business with ultrasound and x-ray equipment including mammography. In addition to providing innovative high-end solutions, the Clinical Products Division focuses on the development of cost-efficient, less complex equipment that meets essential customer requirements, particularly in emerging economies. The Clinical Products Division also comprises the internal supplier Components and Vacuum Technology which also provides components to the Division Imaging & Therapy Systems.

The **Diagnostics** Division offers products and services in the area of in vitro diagnostics. 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 as well as an individual patient s risk assessment. The Division s portfolio represents a comprehensive range of diagnostic testing systems and consumables, including clinical chemistry and immunodiagnostics, molecular diagnostics (i.e., testing for nucleic acids), hematology, hemostasis, microbiology, point-of-care testing and clinical laboratory automation solutions.

The Sector Operational Unit **Customer Solutions** manages the sales and service organization as well as the Business Unit covering hospital information systems. **Audiology Solutions** provides hearing aids and is a sector-led Business Unit.

The customers of the Healthcare Sector include healthcare providers such as hospital groups and individual hospitals, group and individual medical practices, reference and physician office laboratories and outpatient clinics. The Sector sells the majority of its products and services through in-house sales staff, which is now grouped in its Customer Solutions Operational Unit, supported by dedicated product specialists. In some countries, it also uses dealers, particularly for the sale of low-end products (such as low-end ultrasound and x-ray equipment). In vitro diagnostics products and services are primarily sold through the Sector s dedicated diagnostics sales force, which is now also grouped within the Sector s Customer Solutions Operational Unit, while in some regions dealers are used. A small portion of the Sector s sales revenue derives from the delivery of products and components to competitors on an original equipment manufacturer (OEM) basis. The Sector s products are serviced primarily by its own dedicated personnel.

The Healthcare Sector faces market risks in connection with ongoing health care reform efforts. In the U.S., a health care reform was enacted in the spring of 2010. In particular, an excise tax will be charged on certain medical devices. Siemens believes that this tax will mainly impact the computed tomography and magnetic resonance business.

The Healthcare Sector has research and development and OEM cooperation agreements with various companies, including Bruker and Toshiba in the field of magnetic resonance imaging, and Toshiba, Mochida, and Biosense Webster in the field of ultrasound. The Sector is also party to several joint ventures, including with Philips and Thales to manufacture flat panel detectors for medical imaging.

The Healthcare Sector s principal competitors in medical imaging are General Electric, Philips, Toshiba, Hitachi and Hologic. Other competitors include McKesson and Cerner for healthcare information technology systems, Sonova, William Demant, GN Resound and Starkey for audiology (hearing aids), Elekta and Varian Medical for oncology care systems, and Roche, Abbott, Danaher and bioMerieux for in vitro diagnostics. The

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trend toward consolidation in the Sector s industry continues. Competition among the leading companies in the field is strong, including with respect to price.

Equity Investments

In general, the segment Equity Investments comprises equity stakes held by Siemens that are either accounted for by the equity method, at cost or as current available-for-sale financial assets and are not allocated to a Sector, SFS, Centrally managed portfolio activities, SRE, Corporate items or Corporate Treasury for strategic reasons.

The main investments within Equity Investments are:

A stake of approximately 50.0% in **Nokia Siemens Networks B.V. (NSN)**, Netherlands: 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.

A 50.0% stake in **BSH Bosch und Siemens Hausgeräte GmbH (BSH)**, Germany: 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.

A 49.0% stake in **Enterprise Networks Holdings B.V.**, Netherlands, a provider of open communications, network and security solutions to enterprise customers.

In December 2010, Siemens transferred its 19.8% stake in GIG Holding GmbH, Germany, to ARQUES Industries AG.

In January 2011, Siemens closed the sale of its 49.0% stake in Krauss-Maffei Wegmann GmbH & Co. KG, Germany, to the Wegmann Group.

In the fourth quarter of fiscal 2011, Siemens signed an agreement to sell its 50% stake in ELIN GmbH & Co. KG (ELIN), Austria, a provider of technical building equipment and installation services to the Ortner Gruppe. Following the agreement, Siemens classified its stake in ELIN as held for disposal. Closing of the transaction is expected in the first quarter of fiscal 2012.

For additional information on investments held in Equity Investments, see Item 5: Operating and financial review and prospects Fiscal 2011 compared to fiscal 2010 Segment information analysis Equity Investments, Item 7: Major shareholders and related party transactions Related party transactions, as well as Item 18: Financial Statements Notes to Consolidated Financial Statements.

Financial Services (SFS)

Financial Services provides a variety of financial services and products both to third parties and to other Siemens entities and their customers. On October 1, 2010, Siemens Financial Services was renamed Financial Services due to regulatory considerations in connection with Siemens application in Germany for the grant of a license to conduct banking business.

In fiscal 2011, SFS was comprised of six Business Units, which can be classified as either capital businesses (consisting of the Commercial Finance Europe/APAC Business Unit (COFEA), the Commercial Finance U.S. Business Unit (COFUS) and the equity component of the Equity Investments & Project Finance Business Unit or fee businesses (consisting of the Treasury Business Unit, the Financing Services & Investment Management Business Unit, the Insurance Business Unit and the Project and Export Finance component of the Equity Investments & Project Finance Business Unit. The capital businesses support Siemens sales with well established leasing and lending programs and offer a broad range of financial solutions, including direct financing, to vendors and their business customers. Our finance products include finance leases, operating leases, hire purchases and rental contracts, as well as structured loans, which are gaining importance. The capital businesses also make equity investments, mainly in infrastructure projects where Siemens acts as the principal supplier. SFS capital business is originated from Siemens as well as third party vendors and customers and is focused

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around Energy, Industry and Healthcare as areas with Siemens domain expertise. The fee businesses support and advise Siemens in matters concerning financial risk and investment management and provide an important contribution to Siemens by arranging financing for Siemens projects. Most of SFS fee business is generated internally (i.e., with other Siemens entities as the customer).

In its transactions with Siemens and third parties, SFS acts consistent with banking industry standards in the international financial markets that are both applicable and mandatory for these transactions. In December 2010, the Siemens Bank GmbH was granted a license by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht BaFin) to engage in banking business. In particular, the license covers engaging in deposit taking, loan and guarantee business. Siemens Bank GmbH was established primarily to support the operational businesses of Siemens Sectors by providing financing solutions. Furthermore, the license enables the bank to gain access to the deposit and refinancing facilities of the European Central Bank.

The following table provides key financial data concerning SFS.

	Year ended September 30, 2011
Total assets	14.602 billion
Total assets as percentage of Siemens assets	14.01%
Income before income taxes	428 million

In fiscal 2011, SFS announced a change to its organizational structure aiming at clearly separating different business models and assigning global responsibility to the new Business Units. The goal is to better align SFS organizational structure with the customers and markets it serves and to better leverage existing know-how. For this purpose, with effect from October 1, 2011, all structured and project finance activities of COFEA and COFUS, the equity activities of Siemens Project Ventures as a part of the Equity Investments & Project Finance Business Unit and the advisory activities of the Project and Export Finance component of the Equity Investments & Project Finance Business Unit were organized in three new Business Units as follows: Project and Structured Finance Energy; Project-, Structured and Leveraged Finance Healthcare; and Project- and Structured Finance Infrastructure, Cities & Industry. The commercial finance activities of COFEA and COFUS were merged in a new global Business Unit, Commercial Finance (COF). Accordingly, as of fiscal 2012, SFS conducts its business through the four new Business Units mentioned above and the remaining Business Units Treasury, Financing Services & Investment Management and Insurance, which were not materially affected by the reorganization. Siemens Venture Capital, formerly part of the Equity Investments & Project Finance Business Unit, has been directly assigned to SFS top management.

The following description of the SFS business is based on the six Business Units that were in place until the end of fiscal 2011.

The Business Units **COFEA** and **COFUS** offered a comprehensive range of equipment finance, leasing, rental and related financing solutions to organizations of all sizes to finance equipment supplied by Siemens or third-party providers. COFEA and COFUS leveraged technical expertise and long-term relationships with other Siemens entities to create integrated financial solutions that complemented the Siemens portfolio across the Healthcare, Industry and Energy Sectors.

Services were provided through a network of COFEA and COFUS companies, located in 15 countries throughout Europe, Asia Pacific and North America, comprising regulated, partially or non-regulated entities. The refinancing of COFEA/COFUS entities was mainly conducted by Siemens treasury units. In fiscal 2011, the newly established COFEA subsidiary in India obtained a license from the Reserve Bank of India to operate as a Non-Banking Financial Institution (NBFI). In Russia, COFEA acquired ZAO Delta Leasing, Vladivostok, in order to enter the high growth Russian leasing market. As part of its portfolio management, COFEA sold its business in Japan and the Netherlands.

COFEA products comprised finance and operating leases, hire purchases, rentals, loans and very limited forfaiting. In the area of structured financing, solutions ranged from senior secured corporate loans and structured investment financing to infrastructure and project financing and acquisition and leveraged buyout (LBO) financing, usually as syndicated loans. COFUS provided similar products in asset financing with a strong focus

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on senior secured lending and, to a lesser extent, other debt instruments to the Energy Sector, big ticket leasing for transportation and manufacturing assets in the Industry Sector and for a growing portfolio in acquisition financing. COFUS asset-based lending solutions were mainly secured by receivables and inventory.

COFEA served Siemens and other domestic and international manufacturers and vendors to achieve a risk-balanced portfolio based on a locally adapted mix of end customers. In addition to the vendor channel, the Business Unit also served customers through direct origination, private equity and project sponsors as well as through the syndication market. It delivered financing solutions tailored to customers objectives, distribution channels and processes and supports them through its local field sales, furthermore, vendor partners in selected countries and market segments can obtain financing offers for their end customers via web-based solutions.

The former **Equity Investments & Project Finance** Business Unit encompassed equity investments in infrastructure projects and small and medium-sized companies as well as the provision of advisory and other services to other Siemens entities. The Business Unit invested in equity of a broad range of infrastructure projects. In doing so, it concentrated on projects with a meaningful role for Siemens technology. Its investment focus was on power projects (thermal and renewable), medical projects and other infrastructure projects such as airports or railways.

In addition, the Business Unit conducted equity investments in small and medium-sized companies (venture and growth capital) to fund cutting-edge technologies and systems, making Siemens and its customers more competitive by expanding and improving the products and services offered by Siemens. Energy, healthcare, and industry, the core domains of Siemens technological expertise, were investment focal points. The Business Unit also offered customers advisory, analytical and selection services related to investments in private equity funds and managed a venture and growth capital fund-of-funds for institutional investors called Siemens Global Innovation Partners.

In its advisory role, the Business Unit supported Siemens Sectors and consortia in which Siemens participates on project and sales financing transactions. To that end it was assisted by centers of competence, which provide advice on complex financing topics, including public-private partnerships and forfeiting as well as export and investment guarantees. The Business Unit cooperated with a global network of financial institutions at both national and international levels and maintained contacts at special international financing institutions such as development banks and export credit agencies (e.g., Euler Hermes, Coface, Sace and USExim). Other services provided were centered on the issuance and administration of bonds, guarantees, letters of credit and other sureties from banks for Siemens.

The **Treasury** Business Unit handles all activities which fall into the sole responsibility of the Corporate Treasurer. Treasury is mandated by the Corporate Treasurer to provide treasury services to all Siemens entities. These activities comprise cash management and payment (including intercompany payments) services using group-wide tools with central controls to ensure compliance with internal and external guidelines and requirements as well as all external Siemens financing activities (especially capital market financing). In addition, it pools and manages centralized Siemens interest rate, certain commodity risk and currency risk exposure and uses derivative financial instruments in transactions with external financial institutions to offset such concentrated exposures. For more information on the use of derivatives to hedge risk, see Item 11: Quantitative and qualitative disclosure about market risk.

The **Financing Services & Investment Management** Business Unit consists of receivables management, investment management and treasury advisory to third parties. It is engaged in the process of monitoring and warehousing short-term trade accounts receivable (tenor of up to 365 days) under the roof of Siemens Credit Warehouse. The objective is to centralize risk management for trade receivables as well as to provide assets for receivables-backed financing. Treasury advisory provides consulting services. The investment management function provides investment management services relating to pension assets to Siemens as well as to external institutional clients and management of mutual funds to the general public. The Business Unit operates its investment management business through its company Siemens Kapitalanlagegesellschaft mbH (SKAG), Germany. During fiscal 2011, Innovest Kapitalanlage AG was divested. Also in fiscal 2011, the Business Unit decided to exit the business of providing cash management systems to third-party customers. Existing customer relationships will be maintained until the term of the relevant relationship ends, however.

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The **Insurance** Business Unit acts as an insurance broker for Siemens and external customers, providing both industrial insurance and private finance solutions. In the area of industrial insurance solutions, the Business Unit supports Siemens and non-affiliated companies as a competent partner in all insurance-related matters, including claims management as well as risk transfer to insurance and financial markets. It also acts as broker of Siemens-financed insurances for employees on business trips and foreign assignments. In the area of private finance solutions, the unit offers a wide range of products in the areas of insurance, retirement planning and residential construction financing for staff at Siemens and non-affiliated companies. Through RISICOM Rückversicherungs AG, SFS provides reinsurance solutions as an integral part of Siemens risk financing program.

While SFS originates business in its capital business (leasing, loans, receivables financing, asset-based lending, equity investments) from external customers either directly or through the Siemens Sectors or through internal or external vendors, its fee business is mainly sourced internally from other Siemens entities. In certain cases, SFS uses financial intermediaries for business origination, mainly in secondary markets. Insurance services are also offered over the Internet.

SFS main sources of risk are associated with its external credit exposure and its equity portfolio. For further information, see Item 3: Key information Risk factors. SFS has been observing a further improvement in the credit environment.

Most of SFS services are geared towards Europe and North America. However, SFS is also actively seeking to expand its on-balance sheet financing business in the BRIC countries (Brazil, Russia, India, China), especially China, Russia and India, in order to better support Siemens regional companies and clusters with financial services. SFS competition mainly includes commercial finance operations of banks, independent commercial finance companies, captive finance companies and asset management companies. International competitors include General Electric Commercial Finance, Société Générale Equipment Finance, BNP Paribas Equipment Finance, Macquarie and De Lage Landen. Particularly in the commercial finance business, our competitors are often local financial institutions and competition therefore varies from country to country.

Infrastructure & Cities

As discussed above, Siemens initiated a change in the organizational structure of its Sectors during fiscal 2011 which became effective October 1, 2011. Beginning with fiscal 2012, Siemens formed a fourth Sector, **Infrastructure & Cities** that focuses on products and solutions for cities, municipalities, city hubs such as airports and harbors, railway and mainline as well as utilities. In order to benefit even more from the growth and technology trends of cities and infrastructure markets, Siemens bundled the relevant capabilities of the Industry and Energy Sector in the new Infrastructure & Cities Sector. The Sector consists of five Divisions: Rail Systems; Mobility and Logistics; Low and Medium Voltage; Smart Grid; and Building Technologies.

The **Rail Systems** Division consists mainly of the businesses relating to rail vehicles for mass transit, regional and long-distance transportation, and locomotives, which were conducted by the former Mobility Division of the Industry Sector until the end of fiscal 2011.

The **Mobility and Logistics** Division primarily provides products, solutions and services in operating systems for rail transportation such as central control systems, interlockings and automated train controls, for road traffic including traffic detection, information and guidance, for airport logistics including cargo tracking and baggage handling and for postal automation including letter parcel sorting, also formerly within the Mobility Division of the Industry Sector.

The **Low and Medium Voltage** Division mainly combines the low voltage business of the former Building Technologies Division of the Industry Sector and the medium-voltage components, systems and solutions business of the former Power Distribution Division of the Energy Sector.

The **Smart Grid** Division primarily comprises the energy automation business, the smart grid applications as well as the transmission and distribution services of the former Power Distribution Division of the Energy Sector as well as the rail electrification business of the former Mobility Division of the Industry Sector.

The **Building Technologies** Division mainly comprises the businesses of the former Building Technologies Division of the Industry Sector except for the low-voltage business activities.

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The Infrastructure & Cities Sector also holds the AtoS S.A. (AtoS) shares and the convertible bond which Siemens received following the sale of Siemens IT Solutions and Services to AtoS. For further information on the sale of Siemens IT Solutions and Services, see Item 4: Information on the Company Description of business Discontinued operations. Furthermore it will include Siemens share in OSRAM AG following its planned public offering which Siemens announced during fiscal 2011. Until completion of the public offering, OSRAM AG remains a separate business directly reporting to the Managing Board of Siemens AG. The timing of the public offering depends on market conditions.

EMPLOYEES AND LABOR RELATIONS

The following tables show the division of our employees by segments and geographic region as of September 30 for each of the years shown. Part-time employees are included on a proportionate basis.

	000000	000000	000000
		As of September 30,	
Employees by segments[1]	**2011**	**2010**	**2009**
		(in thousands)	
Industry	174	164	167
Energy	98	88	85
Healthcare	51	49	48
Financial Services	3	2	2
Other[2]	35	32	31
Total	360	336	333

(1) Continuing operations.

(2) Includes employees in corporate functions and services and business units not allocated to any Sector or Financial Services.

		As of September 30,	
Employees by geographic regions[1]	**2011**	**2010**	**2009**
		(in thousands)	
Europe, C.I.S., Africa, Middle East	218	205	206
therein Germany	*116*	*110*	*110*
Americas	82	78	78
therein U.S.	*56*	*53*	*54*
Asia, Australia	60	52	50
therein China	*29*	*26*	*24*
therein India	*18*	*14*	*13*
Total	360	336	333

(1) 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, BetrVG), 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.

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 and 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 commitment to protecting and conserving the environment 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, which 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. We expect that the process of decontamination, disassembly and sorting of radioactive waste will continue until 2015. We will be responsible for storing the material until the government-developed storage facility becomes available. With respect to the Hanau facility, the process of setting up intermediate storage for radioactive waste has neared completion and the facility has been released from the scope of application of the German Atomic Energy Act so that its further use is unrestricted under that Act. However, the State of Hessen 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 will be located and when it becomes available. We set up a provision with respect to this matter, which at September 30, 2011 amounted to 1,079 million. This provision is based on a number of significant estimates and assumptions as to the ultimate costs of this project. During 2010, several parameters were specified relating to the development of a final storage facility in the so-called Schacht Konrad. For additional information on our asset retirement obligations attributable to environmental clean-up costs, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Some of our products are subject to the Directive 2002/95/EC of the European Parliament and of the Council on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (the RoHS Directive). The RoHS Directive bans the use of certain hazardous substances in electrical and electronic equipment. We are in compliance with current requirements under the RoHS Directive. Revisions to certain exemptions from the RoHS Directive were published in September 2010. These revisions introduce certain mercury reduction requirements that affect OSRAM AG.

A recent review of the RoHS Directive by the EU Commission resulted in the publication of Directive 2011/65/EU which, after national transposition, is expected to lead inter alia to changes in the future scope of the RoHS Directive (e.g., inclusion of medical equipment by July 2014) and the requirement for manufacturers to declare the conformity of products with the Directive. We have already begun to adapt relevant business processes to some of the expected changes.

We do not expect to incur substantial costs due to the additional requirements imposed following the EU Commission s recent review of Directive 2002/96/EC on Waste Electrical and Electronic Equipment (the WEEE Directive).

Restrictions on the use of certain substances comparable to those of the RoHS Directive and of the WEEE Directive are under discussion in several other countries, such as the U.S., Australia, Argentina, Brazil, China and South Korea.

We are also subject to the Regulation (EC) No 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), which entered into force in part on June 1, 2007. We do not expect to incur substantial costs to comply with the current version of the REACH regulation. We plan to implement any additional measures which may be necessary for us to comply with possible future enhancements of this regulation.

The experience of the last two years has shown that neither the Directive 2004/35/CE of the European Parliament and of the Council on Environmental Liability with Regard to the Prevention and Remediation of

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Environmental Damage nor the applicable remediation measures for damage to protected species and natural habitats, have yet had any impact on Siemens. Nevertheless we continue to maintain insurance coverage for these risks, which is available in the market.

In the U.S., certain of our facilities may be required to obtain operating permits under Title V of the Clean Air Act Amendments of 1990, which governs certain air quality standards. The application for permits and related compliance obligations may require us to incur future costs.

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. Compliance with environmental requirements is also a focus of the environmental process reviews we conduct. In remediation of the results of recent environmental process reviews additional cost for the implementation and operation of R&D, production and modified logistic processes may be incurred over the next three years. Taking such remediation measures into account, we believe that we are in substantial compliance with all environmental and health and safety laws and regulations. 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.

Environmental Portfolio

	Fiscal year ended September 30,	
Key performance indicators	**2011**	**2010**
Revenue generated by the Siemens Environmental Portfolio (continuing operations; in billions of)	29.9	27.4
Accumulated annual customer reductions of carbon dioxide emissions generated by elements from the Siemens Environmental Portfolio (continuing and discontinued operations; in millions of tons; including an accumulated amount of 68 million tons and 59 million tons related to OSRAM at the end of fiscal 2011 and 2010, respectively)	317	269

Our Environmental Portfolio serves as an example of how we strive to align our business activities with the aforementioned megatrends, in this case climate change. The Environmental Portfolio consists of products, systems, solutions and services (Environmental Portfolio elements) that reduce impacts on the environment and emissions of carbon dioxide and other greenhouse gases (defined together in the following as carbon dioxide emissions) responsible for climate change.

In addition to its environmental benefits, our Environmental Portfolio enables us to compete successfully in attractive markets and generate profitable growth. In fiscal 2010, we have set ourselves a revenue target for the Environmental Portfolio within the One Siemens framework to exceed 40 billion in revenue from the Environmental Portfolio by the end of fiscal 2014. We continue to strive for that goal, although due to our announced planned initial public offering of OSRAM AG, it will be more challenging to achieve it.

Including revenues from newly developed and additionally qualified elements and excluding revenues from elements that no longer fulfill our qualifications, revenues from continuing operations from the Environmental Portfolio in the current year amounted to 29.9 billion, up from the comparable revenues of 27.4 billion in fiscal 2010. This means that in fiscal 2011 our Environmental Portfolio already accounted for 41% of our revenues from continuing operations. In addition, OSRAM, which is presented in discontinued operations, reported revenue from Environmental Portfolio elements of 3.7 billion in fiscal 2011, compared to 3.3 billion in fiscal 2010.

With our Environmental Portfolio we intend, among other things, to help our customers to reduce their carbon dioxide footprint, cut their energy costs and improve their profitability through an increase in their productivity. Our target for 2011 was to help our customers reduce their annual carbon dioxide emissions by approximately 300 million tons. With the total of our Environmental Portfolio elements that were installed at customer locations since the beginning of fiscal 2002 and remain in use today, we achieved our goal and reduced customer carbon dioxide emissions by 317 million tons by the end of fiscal 2011.

Reporting principles As there are currently no accepted international standards for identification and reporting of so-called green products, we report the revenue from our Environmental Portfolio and the annual customer reductions of carbon dioxide emissions generated by it in accordance with internal regulations defined in our Environmental Portfolio Guideline. This Guideline is based on the Reporting Principles of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, revised edition, and the Greenhouse Gas Protocol for Project Accounting. Those principles are relevance, completeness, consistency, transparency, accuracy and conservativeness. The revenue generated by the Environmental Portfolio is recognized in accordance with revenue recognition policies as described in Item 18: Financial Statements Notes to Consolidated Financial Statements Note 2.

Governance processes and definitions The qualification of Environmental Portfolio elements as well as their respective reporting is based on defined processes and criteria. In principle, products, systems, solutions and services of Siemens AG and its subsidiaries may qualify for the Environmental Portfolio. The entire Siemens business portfolio is reviewed annually regarding the qualification of Environmental Portfolio elements based on the criteria described below. This covers the inclusion of newly developed elements as well as the integration of additionally qualified elements where evidence of fulfillment of the qualification criteria was not available in prior reporting periods. For additionally qualified Environmental Portfolio elements, we report their prior-year revenue and prior-year contribution to reducing customer carbon dioxide emissions on a comparable basis. Elements that no longer fulfill our qualification criteria are excluded from our Environmental Portfolio.

Prior to inclusion in the Environmental Portfolio, potential new Environmental Portfolio elements have to undergo a multilevel internal evaluation process. The Siemens Sustainability Board annually acknowledges changes in the composition of the Environmental Portfolio. One task of the Sustainability Board is also to discuss potential concerns of stakeholders with regard to the inclusion or deletion of certain technologies in the Environmental Portfolio.

Criteria for inclusion of Environmental Portfolio elements An Environmental Portfolio element can be a product, a system, a solution or a service as defined above. Furthermore, a core component of a system or solution may qualify as an Environmental Portfolio element if the component provided by Siemens is key to enabling environmental benefits resulting from the system s or solution s overall application. To qualify for inclusion in the Environmental Portfolio, an element must meet one of the selection criteria, which are energy efficiency, renewable energy or environmental technologies. Products, systems, solutions and services with planned application in military use or nuclear power are not included in the Environmental Portfolio.

- **Energy efficiency**: The criteria for energy efficiency are an improvement in energy efficiency of 20% or more during the customer use phase compared to the applicable baseline, or a reduction of at least 100,000 metric tons of carbon dioxide equivalents per reporting period in the customer use phase. Examples of elements that meet the energy efficiency criterion are combined cycle power plants and intelligent building technology systems.

- **Renewable energy**: This criterion covers technologies in the field of renewable energy sources such as wind turbines and solar power or smart grid applications and their respective core components.

- **Environmental technologies**: This criterion is related to water and wastewater treatment, air pollution control, waste reduction, recycling, e-car infrastructure and its core components. Additionally, a criterion for the Healthcare Sector is an environmental impact reduction in terms of noise, radiation or total weight of at least 25% compared to the baseline.

Baseline methods Energy efficiency, annual customer reduction of carbon dioxide and environmental impact are all assessed by a comparison with a reference solution (baseline). There are three different options for the reference solution: before-after comparison, comparison with a reference technology or comparison with the installed base. The baselines are reviewed annually and, if necessary, adjusted, such as when statistical data on the installed base is updated because of technical innovations or regulatory changes. The calculation of the reduction of carbon dioxide emissions is based on a comparison for every relevant Environmental Portfolio element with a baseline. For this calculation, we focus on those elements that have a material impact on the overall carbon dioxide emissions reduction. For some emission reduction calculations, the baseline reference for the installed base is determined using known global emission factors such as those for power production. The baselines used for our calculations are mainly based on data of the International Energy Agency (IEA) for gross power production and for grid losses, on data from the Intergovernmental Panel on Climate Change (IPCC) for fuel based emission factors, and our own assessments of power production efficiency. For consistency reasons, we generally apply global emission factors for calculating emission reductions.

Reporting estimates The inclusion of elements in the Environmental Portfolio is based on criteria, methodologies and assumptions that other companies and other stakeholders may view differently. Factors that may cause differences, among others, are: choice of applicable baseline methodology, application of global emission factors that may be different from local conditions, use patterns at customers that may be different from standard use patterns used for carbon dioxide abatement calculations and expert estimates if no other data is available.

To date, there is no applicable international standard that applies across companies for qualifying products, systems, solutions and services for environmental and climate protection, or for compiling and calculating the respective revenues and the quantity of reduced carbon dioxide emissions attributable to such products, systems, solutions and services. Accordingly, revenues from our Environmental Portfolio and the reduction of our customers annual carbon dioxide emissions may not be comparable with similar information reported by other companies. Furthermore, we subject revenues from our Environmental Portfolio and the reduction of our customers annual carbon dioxide emissions to internal documentation and review requirements which are less sophisticated than those applicable to our financial information. We may change our policies for recognizing revenues from our Environmental Portfolio and the reduction of our customers annual carbon dioxide emissions in the future without previous notice.

As in previous years, we again commissioned an independent accounting firm with a limited assurance engagement to review the reported results for our Environmental Portfolio for fiscal 2011. This review was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information. Nothing came to the independent accounting firm s attention that would cause them to believe that the section Siemens Environmental Portfolio 2011 of the Environmental Portfolio Report 2011 containing the revenues generated by the Environmental Portfolio and the annual customer reduction of carbon dioxide emissions attributable to it has not been prepared, in all material respects, in accordance with the defined reporting principles.

PROPERTY

Siemens operates in excess of 285 major production and manufacturing plants in more than 40 countries worldwide, including facilities at certain joint ventures and associated companies. A major production and manufacturing plant is defined as a facility at Business Unit level, in which raw or source materials are transformed into finished goods on a large scale by using equipment and production resources such as machines, tools, energy and labor. Around 140 major production and manufacturing plants are located in the region Europe, C.I.S., Africa, Middle East; around 75 major production and manufacturing plants are located in the region Americas and around 70 major production and manufacturing plants are located in the region Asia, Australia. With more than 135 major production and manufacturing plants, the Industry Sector accounts for the greatest proportion of these, followed by the Energy Sector (around 110 major facilities) and the Healthcare Sector (around 40 major facilities).

Siemens also owns or leases other properties including office buildings, warehouses, research and development facilities and sales offices.

Siemens principal executive offices are located in Munich, Germany.

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

None of our properties are subject to mortgages and other security interests granted to secure indebtedness to financial institutions.

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INTELLECTUAL PROPERTY

Siemens has several thousand patents and licenses covering its products and services worldwide. Research and development is a priority throughout Siemens on a Sector, Cross-Sector Business and Division basis. For a discussion of the main focus of the current research and development efforts of each Sector, see Item 4: Information on the Company Research and development. Siemens also owns thousands of registered trademarks worldwide. Neither the Company nor any Sector or SFS or Division is dependent on any single patent, license or trademark or any group of related patents, licenses or trademarks. For information on certain patent law suits to which OSRAM is party, see Item 4: Information on the Company Legal proceedings.

RESEARCH AND DEVELOPMENT

In fiscal 2011, our research and development (R&D) activities were targeted as before on: (1) ensuring long-term future viability, (2) enhancing technological competitiveness, and (3) optimizing the allocation of R&D resources.

The overall focus of our R&D activities for example, those in our Environmental Portfolio is on increasing the efficiency of both renewable and conventional power generation, improving low-loss power transmission, as well as on finding new solutions for intelligent power networks (smart grids), solar energy, carbon dioxide separation in power plants, and energy storage systems for volatile renewable energies. Further focus areas are the promotion of more efficient energy use in building technology, industry, and transportation, including for instance electric vehicles from drives to faster charging stations as well as the further development of water and air purification systems and drinking water purification with new membrane technologies.

We aim to continue to strengthen our innovation capability. In fiscal 2011, Siemens spent 3.925 billion on R&D. The intensity of our R&D activities, defined as the ratio of R&D expenses and revenue, was 5.3% for the current fiscal year, an increase compared to fiscal 2010.

The Industry Sector invested 1.6 billion with an R&D intensity of 5.0%; the Energy Sector 1.0 billion with an R&D intensity of 3.5%; and the Healthcare Sector 1.2 billion with an R&D intensity of 9.4%. Corporate Technology (CT), our central research department, spent additional R&D funds.

In our continuing operations, we had an average of approximately 11,800 R&D employees in Germany and approximately 16,000 R&D employees in about 30 countries outside of Germany during fiscal 2011, including the U.S., China, Austria, India, Slovakia, Switzerland, the U.K., Croatia, Sweden, Denmark, Mexico, and France.

Siemens now holds approximately 53,300 **patents** worldwide in its continuing operations, compared to approximately 51,400 patents last year. In terms of the number of published patent applications in calendar year 2010, Siemens in total ranked third in Germany and for the first time in the company s history first in Europe. In terms of the number of patents granted in the U.S., Siemens in total ranked ninth in calendar year 2010. This marked the first time since 2005 that we were placed among the top ten. By comparison, in calendar year 2009 Siemens occupied the third place in Germany, second place in Europe, and 13th place in the U.S.

R&D indicators[1]	FY 2011	FY 2010
	(in thousands)	
Employees[2]	27.8	27.2
Inventions[3]	8.6	7.9
Patent applications[4]	4.3	3.7

(1) Continuing operations.

(2) Average number of employees in fiscal year.

(3) Number of inventions submitted by Business Units based on an internal reporting.

(4) First filings as part of the inventions submitted to patent offices.

Collaborations with universities and non-university research institutes make an important contribution to Siemens capacity to innovate. The key goals of these partnerships are tapping the potential for joint research and development projects, developing and extending the network of universities or research institutes with which Siemens works and increasing communication between Siemens and these universities or institutes, and strengthening the appeal of Siemens to highly qualified young people as a potential employer.

In addition, Siemens takes part in publicly funded research programs sponsored by such organizations as the European Commission, the German Federal Ministry of Research and Education, the German Federal Ministry of Economics and Technology, and the German Federal Ministry of the Environment, Nature Conservation and Nuclear Safety. The most important research areas include the development of sustainable technologies, the networking of machines, new technical materials, and sustainable and innovative methods of diagnosis and treatment in the public health system.

Corporate Technology (CT) works closely with the R&D teams of our Sectors and Divisions. To facilitate this cooperation, CT, which has more than 6,400 employees, is set up as a global network with primary locations in Germany, the U.S., Austria, Slovakia, Russia, India, China, Japan, Denmark, and Singapore. Among CT s employees, more than 3,500 software engineers at locations in Europe, India, and China develop and implement software for new products and services for our Sectors.

The Sectors concentrate their R&D efforts on the next generation of their products and solutions, which they are preparing for a successful market launch. By contrast, the aim of the worldwide network of our CT experts is to be a strong innovation partner for the Siemens operational units and to use their expertise to safeguard our Company s technological future in strategically important areas. CT s employees contribute their in-depth understanding of fundamental technologies, models, and trends, as well as substantial software and process know-how to Siemens. The CT organization cooperates with universities and with the research community all over the world.

The roughly 50 technology fields covered by CT s global research network include materials that help to enhance the efficiency of Siemens solutions; security, software, and system know-how; microsystems; production processes; energy technology; and sensorics. CT is also researching new solutions for automation, medical information systems, and imaging processes.

CT s technology portfolio is supplemented by lighthouse projects which are designed to create new business opportunities for Siemens, including electric mobility, smart grids, and the processing and recycling of raw materials. All of these are areas of tremendous strategic importance for Siemens.

In addition to research and development, CT also handles global patent management for Siemens. More than 400 experts support the Company in areas such as the registration, implementation, and exploitation of its industrial property and trademark rights.

Among the R&D priorities in the **Industry** Sector is the IT-based integration of product planning and production processes into product lifecycle management. The objective is to accelerate the processes at each point along the value-added chain with the aim of reducing time to market by as much as 50%. The further development of automation technology, especially software, plays a crucial role in this respect. In addition, the Industry Sector is striving to achieve greater energy efficiency, lower the consumption of raw materials, and reduce emissions. The same goals are being pursued in connection with the development of high-performance

building control technology, transportation systems featuring energy-saving drives, and our Complete mobility approach, which aims to integrate the various transportation systems in order to bring people and goods to their destinations more rapidly, more efficiently, and more comfortably.

Our R&D activities in the **Energy** Sector are focused on developing methods for the efficient generation, transmission, and distribution of electrical energy. In this regard, the conversion of existing power grids to smart grids, in particular, is expected to play a major role. These intelligent grids are the prerequisite for sustainable energy systems and for achieving the optimal integration of increasingly large amounts of renewable energies and future electric vehicles into the energy mix. Other focal points include gearless wind power plants the number of components of which has been halved in order to reduce maintenance costs and increase profitability for the customer; innovative technologies for the low-loss transmission of electricity; the use of new gas turbine generations to enhance power plant efficiency; materials for turbine blades; and technologies for separating the greenhouse gas carbon dioxide from the flue gas produced by fossil fuel-fired power plants.

R&D activities in the **Healthcare** Sector are influenced strongly by rapid population growth and significant demographic changes, including, in particular, rising life expectancies, low birth rates, and the inversion of historical age-group pyramids in Europe, the U.S. and other populous areas of the world. These trends put increasing pressure on healthcare providers and healthcare technology to gather more accurate diagnostic information more efficiently, about a wider range of potential disease conditions, and integrate that information more effectively with treatment options. Accordingly, the R&D activities of the Healthcare Sector focus particularly on innovations that assist customers in optimally meeting this challenge. One area of innovation involves a combination of various imaging methods that provide increasingly detailed and faster three-dimensional insights into the body of a patient, while subjecting him or her to less discomfort. Siemens combines imaging processes of this kind with modern therapeutic measures, laboratory diagnostics, and information technology to create vastly improved, coordinated workflows. In its efforts to optimally respond to market demands, the Healthcare Sector gives equal priority to product innovations that automate clinical work processes and on optimizing laboratory diagnostics. As a result of the information provided by the various diagnostic methods, doctors are in a position to identify diseases even more precisely and at an earlier stage. They are also able to tailor therapies more closely to a patient s needs by monitoring the effect of medications more accurately and exploiting the evaluation and analytical capabilities of modern computer technology. The Sector is also involved in the targeted development of products that meet the specific requirements of healthcare systems of emerging countries, which enables us to assist in developing primary medical care in these countries.

SUPPLY CHAIN MANAGEMENT

Supply chain management at Siemens aims to contribute to the success of our businesses in a significant and sustainable way. The principal goal of all our supply chain management activities is to ensure the availability and quality of the materials we require to serve our customers.

The past fiscal year proved to be a year of significant challenges for our supply chain management. Dynamic developments in the global economy put strong upward pressure on prices in supplier markets. In addition, certain developments presented particular challenges for our global supply chain network. Examples include sharp price increases for rare earth metals and the Fukushima incident in Japan. Our network managed to rise to these challenges in all respects. Especially with regard to the incident in Japan, Siemens avoided supply shortages and consequential line stops while further strengthening its trusted, long-term relationships with Japanese suppliers. Overall, our supply chain activities continued to contribute in a substantial and sustainable way to the success of our businesses in the current fiscal year.

The Supply Chain Management Initiative which we started in 2009 was transferred into a permanent organization in 2010. A central element of the initiative was a competitive, globally balanced supply chain network. One key to achieving this balance is increasing the share of our sourcing that comes from emerging markets (Global Value Sourcing countries), which is measured in our Global Value Sourcing share. The global balance of our supply chain network continues to be a central part of our supply chain management strategy.

Another important topic for supply chain management at Siemens is **sustainability in our supply chain**. Siemens requires all its suppliers to comply with the principles of our Code of Conduct for Siemens Suppliers and to support its implementation in their own supply chains as well. We also initiate worldwide on-site sustainability audits by external experts to ensure the fulfillment of our standards and to encourage sustainable business conduct throughout our entire global supply chain. In addition, we made the Siemens Energy Efficiency Program available to suppliers. We work with our suppliers to conduct environmental and energy efficiency checks, and identify opportunities for reducing the consumption of energy and other resources. In this regard, we draw upon the expertise and know-how gained in connection with our own environmental program and our Environmental Portfolio.

LEGAL PROCEEDINGS

PUBLIC CORRUPTION PROCEEDINGS

Governmental and related 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 such as embezzlement, as well as bribery, money laundering and tax evasion, among others. These investigations involve allegations of corruption at a number of Siemens Business Units.

In 2008, Siemens pleaded guilty in federal court in Washington, D.C., to criminal charges of knowingly circumventing and failing to maintain adequate internal controls and failing to comply with the books and records provisions of the U.S. Foreign Corrupt Practices Act (FCPA). In related cases, three Siemens foreign subsidiaries, Siemens S.A. (Argentina), Siemens Bangladesh Ltd. and Siemens S.A. (Venezuela), pleaded guilty to individual counts of conspiracy to violate the FCPA. At the same time, Siemens settled a civil action against it brought by the U.S. Securities and Exchange Commission (SEC). The Munich public prosecutor announced the termination of legal proceedings alleging the failure of the former Managing Board of Siemens AG to fulfill its supervisory duties. Under the terms of the plea and settlement agreements reached in the United States, Siemens has engaged Dr. Theo Waigel, former German federal minister of finance, as Compliance Monitor to evaluate and report, for a period of up to four years, on the Company s progress in implementing and operating its new compliance program. In connection with the settlements and other legal proceedings in Germany, Siemens paid a total of 1.2 billion to authorities in the U.S. and Germany in fiscal 2008 and fiscal 2009.

In May 2011, Siemens AG voluntarily reported a case of attempted public corruption in connection with a 2010 project in Kuwait to the U.S. Department of Justice, the SEC, and the Munich public prosecutor. Siemens is cooperating with the authorities in their ongoing investigations which also relate to certain employees.

In July 2011, the Nuremberg-Fuerth public prosecutor notified Siemens AG of an investigation against several employees in connection with payments related to the healthcare business in the Caribbean. Siemens is cooperating with the public prosecutor.

In July 2011, the Munich public prosecutor notified Siemens AG of an investigation against an employee in connection with payments to a supplier related to the oil and gas business in Central Asia from 2000 to 2009. Siemens is cooperating with the public prosecutor.

As previously reported, the Wuppertal public prosecutor, Germany, was conducting 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 April 2010, the public prosecutor discontinued the investigation.

In October 2011, the Turkish Prime Ministry Inspection Board notified Siemens A.S. Turkey of an investigation in connection with alleged bribery in Turkey and Iraq from 1999 to 2007. Siemens is cooperating with the authority.

In 2011, the Brasilia public prosecutor, Brazil, opened proceedings to assess allegations against Siemens in connection with a 2007 metro project.

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As previously reported, authorities in Russia were conducting an investigation into alleged misappropriation of public funds in connection with the award of contracts to Siemens for the delivery of medical equipment to public authorities in Yekaterinburg in the years 2003 to 2005. In July 2011, the investigation was closed with respect to all material charges.

As previously reported, in 2008 the São Paulo public prosecutor, Brazil, started certain investigations into the use of business consultants and suspicious payments in connection with the former Transportation Systems Group in or after 2000. Siemens has learned that this investigation was not discontinued in 2009 but treated confidential.

As previously reported, in March 2009, Siemens AG received a decision by the Vendor Review Committee of the United Nations Secretariat Procurement Division (UNPD) suspending Siemens AG from the UNPD vendor database for a minimum period of six months. The suspension applied to contracts with the UN Secretariat and stemmed from Siemens AG s guilty plea in December 2008 to violations of the U.S. Foreign Corrupt Practices Act. In December 2009, Siemens AG filed a request to lift the existing suspension. Effective January 1, 2011, the UNPD lifted the suspension against Siemens AG.

As previously reported, in April 2009, Siemens AG received a Notice of Commencement of Administrative Proceedings and Recommendations of the Evaluation and Suspension Officer from the World Bank, which comprises the International Bank for Reconstruction and Development as well as the International Development Association, in connection with allegations of sanctionable practices during the period 2004 to 2006 relating to a World Bank-financed project in Russia. On July 2, 2009, the Company entered into a global settlement agreement with the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation and the Multilateral Investment Guarantee Agency (collectively, the World Bank Group) to resolve World Bank Group investigations involving allegations of corruption by Siemens. In the agreement, Siemens voluntarily undertook to refrain from bidding in connection with any project, program, or other investment financed or guaranteed by the World Bank Group (World Bank Projects) for a period of two years, commencing on January 1, 2009 and ending on December 31, 2010. Siemens was not prohibited by the voluntary restraint from continuing work on existing contracts under World Bank Projects or concluded in connection with World Bank Group corporate procurement provided such contracts were signed by Siemens and all other parties thereto prior to January 1, 2009. The agreement provided for exemptions to the voluntary restraint in exceptional circumstances upon approval of the World Bank Group. In addition, Siemens had to withdraw all pending bids, including proposals for consulting contracts, in connection with World Bank Projects and World Bank Group corporate procurement where the World Bank Group had not provided its approval prior to July 2, 2009. Furthermore, Siemens is also required to voluntarily disclose to the World Bank Group any potential misconduct in connection with any World Bank Projects. Finally, Siemens has undertaken to pay US$100 million to agreed anti-corruption organizations over a period of not more than 15 years. In fiscal 2009, the Company took a charge to Other operating expense to accrue a provision in the amount of 53 million relating to the global settlement agreement with the World Bank Group. In November 2009, OOO Siemens Russia and all its controlled subsidiaries were, in a separate proceeding before the World Bank Group, debarred for four years from participating in World Bank Projects. OOO Siemens Russia did not contest the debarment. As of January 1, 2011, Siemens AG and its controlled subsidiaries worldwide (with the exception of OOO Siemens Russia and its own controlled subsidiaries) are no longer prohibited from participating in any World Bank Projects.

As previously reported, Siemens AG had filed a request for arbitration against the Republic of Argentina (Argentina) with the International Center for Settlement of Investment Disputes (ICSID) of the World Bank. Siemens AG claimed that Argentina had unlawfully terminated its contract with Siemens for the development and operation of a system for the production of identity cards, border control, collection of data and voters registers (DNI project) and thereby violated the Bilateral Investment Protection Treaty between Argentina and Germany (BIT). A unanimous decision on the merits was rendered by the ICSID arbitration tribunal in February 2007, awarding Siemens AG, inter alia, compensation in the amount of US$217.8 million, plus compound interest thereon at a rate of 2.66% since May 18, 2001. Argentinia subsequently filed applications with the ICSID aiming at the annulment and reversal of the decision and a stay of enforcement of the arbitral award. In August 2009, Argentina and Siemens AG reached an agreement to mutually settle the case and discontinue any and all civil proceedings in connection with the case without acknowledging any legal obligations or claims. No payment was made by either party. As previously reported, the Argentinean Anti-Corruption Authority is conducting an investigation into corruption of government officials in connection with the award of the contract for the DNI project to Siemens in 1998. Searches were undertaken at the premises of Siemens Argentina and Siemens IT Services S.A. in Buenos Aires in August 2008 and in February 2009. The Company is cooperating with the Argentinean Authorities. The Argentinean investigative judge also repeatedly requested judicial assistance from the Munich public prosecutor and the federal court in New York.

As previously reported, in June 2008, the court of first instance in Kalimantan Province, Indonesia, found the Head of the Healthcare Division of Siemens PT Indonesia not guilty of allegations of participation in bribery, fraud, and overcharging related to the awarding of a contract for the delivery of medical equipment to a hospital in 2003. In October 2011, the Indonesian Supreme Court upheld the verdict.

As previously reported, in February 2010 a Greek Parliamentary Investigation Committee (GPIC) was established to investigate whether any politicians or other state officials in Greece were involved in alleged wrong-doing of Siemens in Greece. GPIC s investigation was focused on possible criminal liability of politicians and other state officials. Greek public prosecutors are separately investigating certain fraud and bribery allegations involving among others former board members and former executives of Siemens A.E. Greece (Siemens A.E.) and Siemens AG. Both investigations may have a negative impact on civil proceedings currently pending against Siemens AG and Siemens A.E. and may affect the future business activities of Siemens in Greece. In January 2011, the GPIC alleged in a letter to Siemens that the damage suffered by the Greek state amounts to at least 2 billion. Furthermore, the GPIC issued a report repeating these allegations. In addition, the Hellenic Republic Minister of State indicated in a letter to Siemens that the Greek state will seek compensation from Siemens for the alleged damage. While Siemens rejects these allegations as unfounded and continues to defend itself, Siemens and the Greek state have engaged in discussions to resolve the matter.

As previously reported, the Nigerian Economic and Financial Crimes Commission (EFCC) was conducting an investigation into alleged illegal payments by Siemens to Nigerian public officials between 2002 and 2005. In October 2010, the EFCC filed charges with the Federal High Court in Abuja and the High Court of the Federal Capital Territory against, among others, Siemens Ltd. Nigeria (Siemens Nigeria), Siemens AG and former board members of Siemens Nigeria. On November 22, 2010, the Nigerian Government and Siemens Nigeria entered into an out of court settlement, obligating Siemens Nigeria to make a payment in the mid double-digit million range to Nigeria in exchange for the Nigerian Government withdrawing these criminal charges and refraining from the initiation of any criminal, civil or other actions such as a debarment against Siemens Nigeria, Siemens AG, and Siemens employees.

As previously reported, the Vienna public prosecutor, Austria, is conducting an investigation into payments between 1999 and 2006 relating to Siemens AG Austria and its subsidiary Siemens VAI Metal Technologies GmbH & Co. for which valid consideration could not be identified. In September 2011, the Vienna public prosecutor extended the investigations to include a potential corporate liability of Siemens AG Austria for tax evasion. Siemens is cooperating with the authorities.

As previously reported, in 2009, the Anti-Corruption Commission of Bangladesh (ACC) filed criminal charges against two current and one former employee of Siemens Bangladesh s Healthcare business. It is alleged that the employees colluded with employees of a public hospital to overcharge for the delivery of medical equipment in the period before 2007. The ACC has not substantiated the criminal charges within the time limit provided by local law. Siemens Bangladesh filed a motion to dismiss the charges. The court has stayed its proceedings.

As previously reported, in December 2009, the ACC sent a request for information to Siemens Bangladesh Ltd. (Siemens Bangladesh) related to telecommunications projects of Siemens former Communications (Com) Group undertaken prior to 2007. In January 2010, Siemens Bangladesh was informed that in a related move the Anti Money Laundering Department of the Central Bank of Bangladesh is conducting a special investigation into certain accounts of Siemens Bangladesh and of former employees of Siemens Bangladesh in connection with transactions for Com projects undertaken in the period from 2002 to 2006. In February 2010, the ACC sent a request for additional information.

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As previously reported, in November 2009 and in February 2010, a subsidiary of Siemens AG voluntarily self-reported possible violations of South African anti-corruption regulations in the period before 2007 to the responsible South African authorities. The authorities have requested further documentation. Siemens is cooperating with the authorities.

As previously reported, in June 2010, the Frankfurt public prosecutor searched premises of Siemens in Germany in response to allegations of questionable payments relating to an Industry project in Thailand. Siemens is cooperating with the authority.

As previously reported, in August 2010, the Inter-American Development Bank (IADB) issued a notice of administrative proceedings against, among others, Siemens IT Solutions and Services Argentina alleging fraudulent misstatements and antitrust violations in connection with a public invitation to tender for a project in the province of Cordoba, Argentina, in 2003. Siemens is cooperating with the IADB.

As previously reported, in August 2010, the IADB issued a notice of administrative proceedings against, among others, Siemens Venezuela alleging fraudulent misstatements and public corruption in connection with a public invitation to tender for healthcare projects in the Venezuelan provinces of Anzoategui and Merida in 2003. Siemens is cooperating with the IADB.

The Company remains subject to corruption-related investigations in several 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. In addition, the scope of pending investigations may be expanded and new investigations commenced in connection with allegations of bribery or other illegal acts. The Company s operating activities, financial results and reputation may also be negatively affected, particularly as a result of penalties, fines, disgorgements, compensatory damages, third-party litigation, including with competitors, the formal or informal exclusion from public invitations to tender, or the loss of business licenses or permits. Additional expenses and provisions, which could be material, may need to be recorded in the future for penalties, fines, damages or other charges in connection with the investigations.

As previously reported, the Company is following up on evidence of bank accounts and the amounts of the funds deposited therein in various locations. Certain funds have been frozen by authorities. During fiscal 2010, the Company recognized an amount of 40 million in Other operating income from the agreed recovery of funds from one of these accounts.

Civil litigation

As previously reported, Siemens AG reached a settlement with nine out of eleven former members of the Managing and Supervisory Board on December 2, 2009. The settlement relates to claims of breaches of organizational and supervisory duties in view of the accusations of illegal business practices that occurred in the course of international business transactions in the years 2003 to 2006 and the resulting financial burdens for the Company. The Annual Shareholders Meeting approved all nine settlements between the Company and the former members of the Managing and Supervisory Board on January 26, 2010. The shareholders also approved a settlement agreement between the Company and its directors and officers insurers regarding claims in connection with the D&O insurance of up to 100 million. Siemens recorded 96 million gains, net of costs, from the D&O insurance and the nine settlements. On January 25, 2010, Siemens AG filed a lawsuit with the Munich District Court I against the two former board members who were not willing to settle, Thomas Ganswindt and Heinz-Joachim Neubürger, which is currently pending.

As previously reported, in June 2008, the Republic of Iraq filed an action requesting unspecified damages against 93 named defendants with the United States District Court for the Southern District of New York on the basis of findings made in the Report of the Independent Inquiry Committee into the United Nations Oil-for-Food Programme. Siemens S.A.S. France, Siemens A.Ş. Turkey and OSRAM Middle East FZE, Dubai, are among the 93 named defendants. Process was served upon all three Siemens subsidiaries. The three Siemens subsidiaries will defend themselves against the action.

As previously reported, Siemens was approached by a competitor to discuss claims it believed it had against the Company. The alleged claims related to allegedly improper payments by the Company in connection with the procurement of public and private contracts. Siemens and the competitor were able to resolve the matter on mutually agreeable terms.

As previously reported, a securities class action was filed in December 2009 against Siemens AG with the United States District Court for the Eastern District of New York seeking damages for alleged violations of U.S. securities laws. In March 2011, the Court granted the Company s motion to dismiss the action. The plaintiffs motion to reconsider was denied by the court. Plaintiffs did not appeal the court s decision. Accordingly, the dismissal is final.

ANTITRUST PROCEEDINGS

As previously reported, in February 2007, the European Commission launched an investigation into possible antitrust violations involving European producers of power transformers, including Siemens AG and VA Technologie AG (VA Tech), which Siemens acquired in July 2005. The German Antitrust Authority (*Bundeskartellamt*) has become involved in the proceeding and is responsible for investigating those allegations that relate to the German market. Power transformers are electrical equipment used as major components in electric transmission systems in order to adapt voltages. On October 7, 2009, the European Commission imposed fines totaling 67.644 million on seven companies with regard to a territorial market sharing agreement related to Japan and Europe. Siemens was not fined because it had voluntarily disclosed this aspect of the case to the authorities. The German Antitrust Authority continues its investigation with regard to the German market. Siemens is cooperating with the German Antitrust Authority in the ongoing investigation.

As previously reported, in April 2007, Siemens AG and former VA Tech companies 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 former VA Tech companies for alleged antitrust 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 power substations. The fine imposed on Siemens AG amounted to 396.6 million and was paid by the Company in 2007. The fine imposed on former VA Tech companies, which Siemens AG acquired in July 2005, amounted to 22.1 million. In addition, former VA Tech companies were declared jointly liable with Schneider Electric for a separate fine of 4.5 million. In March 2011, the European Court of First Instance dismissed the case regarding the fine imposed on Siemens AG and re-calculated the fines for the former VA Tech companies. Former VA Tech companies were declared jointly liable with Schneider Electric for a fine of 8.1 million. Siemens AG and former VA Tech companies have appealed the decision.

In addition to these proceedings, authorities in Brazil, the Czech Republic and Slovakia are conducting investigations into comparable possible antitrust violations. In October 2010, the High Court of New Zealand dismissed corresponding charges against Siemens.

In January 2010, the European Commission launched, as previously reported, an investigation related to previously reported investigations into potential antitrust violations involving producers of flexible current transmission systems in New Zealand and the U.S. including, among others, Siemens AG. In April 2010, authorities in South Korea and Mexico informed the Company that similar proceedings had been initiated. All official investigations in connection with flexible power transmission systems have been closed. Siemens had been cooperating with all authorities.

As previously reported, in October 2007, upon the Company s appeal, a Hungarian competition court reduced administrative fines imposed on Siemens AG for alleged antitrust violations in the market of high-voltage gas-insulated switchgear from 0.320 million to 0.120 million and from 0.640 million to 0.110 million regarding VA Technologie AG. The Company and the Competition Authority both appealed the decision. In November 2008, the Court of Appeal confirmed the reduction of the fines. In December 2008, the Competition Authority, based on alleged breaches of law, filed an extraordinary appeal with the Supreme Court. In December 2009, Siemens AG was notified that the Supreme Court had remanded the case to the Court of Appeal, with instructions to take a new decision on the amount of the fines. The extraordinary appeal from the

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Competition Authority was rejected with legally binding effect by the Court of Appeal in January 2010. In April 2010, the Competition Authority filed another extraordinary appeal with the Supreme Court. In April 2011, the Supreme Court sustained the extraordinary appeal of the Competition Authority and remanded the case for a new decision to another chamber of the Court of Appeal. In September 2011, the Court of Appeal confirmed the original administrative fines. This decision is not appealable.

In September 2011, the Israeli Antitrust Authority requested Siemens to present its legal position regarding an alleged anti-competitive arrangement between April 1988 and April 2004 in the field of gas-insulated switchgear. Siemens is cooperating with the authority.

In connection with the January 24, 2007 decision of the European Commission regarding alleged antitrust violations in the high-voltage gas-insulated switchgear market, claims are being made against Siemens. Among others, a claim was filed by National Grid Electricity Transmission Plc. (National Grid) with the High Court of England and Wales in November 2008. Twenty-one companies have been named as defendants, including Siemens AG and various of its subsidiaries. National Grid asserts claims in the aggregate amount of approximately £249 million for damages and compound interest. Siemens believes National Grid s claim to be without merit. As discussed, the European Commission s decision has been appealed to the European Court of First Instance. On June 12, 2009, the High Court granted a stay of the proceedings pending before it until three months after the later of the outcome of the appeal to the European Court of First Instance or any subsequent appeals to the European Court of Justice. In June 2009, the Siemens defendants filed their answers to the complaint and requested National Grid s claim to be rejected. Discovery is ongoing.

As previously reported, in November 2010, the Greek Competition Authority searched the premises of Siemens S.A. in Athens in response to allegations of anti-competitive practices in the field of telecommunication and security. Siemens is cooperating with the authority.

As previously reported, in December 2010 and in March 2011, the Turkish Antitrust Authority searched the premises of several diagnostic companies including, among others, Siemens Healthcare Diagnostik Ticaret Limited Sirketi in Istanbul, in response to allegations of anti-competitive agreements. Siemens is cooperating with the authority.

As previously reported, on February 11, 2010, the Italian Antitrust Authority searched the premises of several healthcare companies, among others those of Siemens Healthcare Diagnostics S.r.l. and Siemens S.p.A. The investigation addresses allegations of anti-competitive agreements in relation to a tender of the procurement entity for the public healthcare sector in the region of Campania for the supply of medical equipment in 2009. On May 5, 2011, the Italian Antitrust Authority sent a Statement of Objections to the companies under investigation which confirmed that the proceedings against Siemens Healthcare Diagnostics S.r.l. were closed, but accused Siemens S.p.A. of having participated in an anti-competitive arrangement. On August 5, 2011, the Italian Antitrust Authority fined several companies, including Siemens S.p.A. for alleged anti-competitive behavior. The fine imposed on Siemens S.p.A. amounts to 1.1 million. The company appealed the decision.

In September 2011, the Competition Commission of Pakistan requested Siemens to present its legal position regarding an alleged anti-competitive arrangement since 2007 in the field of transformers and air-insulated switchgears. Siemens is cooperating with the authority.

In October 2011, the local Antitrust Authority in Rovno, Ukraine, notified DP Siemens Ukraine of an investigation into anti-competitive practices in connection with a delivery of medical equipment to a public hospital in 2010. Siemens is cooperating with the authority.

As previously reported, in June 2007, the Turkish Antitrust Agency confirmed its earlier decision to impose a fine in an amount equivalent to 6 million on Siemens A.S. Turkey based on alleged antitrust violations in the traffic lights market. Siemens A.S. Turkey has appealed this decision and this appeal is still pending.

Other proceedings

As previously reported, starting in December 2006, the Company and Qisda Corp. (formerly named BenQ Corp.), a Taiwanese company, were parties in an arbitration proceeding before the International Chamber of

Commerce (ICC) relating to the purchase by Qisda of the Company s mobile devices business in 2005. The parties subsequently resolved their disputes and, upon joint request of the parties, the ICC issued an Award by Consent in March 2009.

On November 25, 2008, Siemens AG and the insolvency administration of BenQ Mobile GmbH & Co. OHG announced that they had reached a settlement after constructive discussions that began in 2006. In the settlement agreement, Siemens AG agreed to a gross payment of 300 million, which was made in December 2008. As of September 30, 2011, the total net payment amounted to approximately 255 million after taking into account the payments made by the insolvency administrator to Siemens.

As previously reported, Siemens AG is a member of a supplier consortium that has been contracted to construct the nuclear power plant Olkiluoto 3 in Finland for Teollisuuden Voima Oyj (TVO) on a turnkey basis. Siemens AG s share of the consideration to be paid to the supplier consortium under the contract is approximately 27%. The other member of the supplier consortium is a further consortium consisting of Areva NP S.A.S. and its wholly-owned subsidiary, Areva NP GmbH. The agreed completion date for the nuclear power plant was April 30, 2009. Completion of the power plant has been delayed for reasons which are in dispute. In December 2008, the supplier consortium filed a request for arbitration against TVO demanding an extension of the construction time, additional compensation, milestone payments, damages and interest. In June 2011, the supplier consortium increased its monetary claim; it now amounts to 1.94 billion. In April 2009, TVO rejected the claims and made counterclaims against the supplier consortium. These consist primarily of damages due to the delay amounting to approximately 1.43 billion based on an estimated completion of the plant in June 2012 with a delay of 38 months. Since then the estimated time of completion of the plant has been further delayed, which could increase the counterclaims. TVO has recently estimated in a press release that the start of the regular operation of the plant could be postponed until 2014. The estimated completion of the plant is currently under evaluation. The final phases of the plant completion will require the full cooperation of all parties involved.

As previously reported, Siemens AG terminated its joint venture with Areva S.A. (Areva) in early 2009. Thereafter Siemens AG entered into negotiations with the State Atomic Energy Corporation Rosatom (Rosatom) with a view to forming a new partnership active in the construction of nuclear power plants, in which it would be a minority shareholder. In April 2009, Areva filed a request for arbitration with the ICC against Siemens AG. Areva sought an order enjoining Siemens AG from pursuing such negotiations with Rosatom, a declaration that Siemens AG is in material breach of its contractual obligations and a reduction of the price payable to Siemens AG for its stake in the Areva NP S.A.S. joint venture. The final award of the arbitral tribunal was notified on May 19, 2011. According to this award, Siemens had to pay Areva liquidated damages of 648 million plus interest. Pursuant to the arbitral award, the disputed non-compete obligation was reduced to four years (ending on September 25, 2013).

As previously reported, Siemens is involved in a power plant construction project in the United States in which one of the other parties to the project filed an arbitration proceeding in June 2011 asserting material claims against certain other parties to the project. While no claims are being asserted against Siemens in the arbitration at this time, it is possible that such claims against Siemens may follow as matters progress.

As previously reported, OSRAM is party to a number of patent lawsuits involving Samsung group companies and LG group companies. On the one hand, OSRAM has sued Samsung group companies and/or LG group companies in the U.S., South Korea, Germany, China and Japan for patent infringements, and is requesting injunctions against unauthorized use of the asserted patents and, in some cases, import bans and compensation. In addition, OSRAM has commenced patent invalidation lawsuits relating to LG patents and Samsung patents on Light Emitting Diode (LED) technology in South Korea and relating to LG patents on LED technology in China.

Samsung group companies and/or LG group companies have, on the other hand, initiated patent invalidation lawsuits relating to OSRAM patents on LED technology, in particular white LEDs, in South Korea, Germany, China and Japan. In addition, Samsung group companies and/or LG group companies have filed patent infringement lawsuits in various jurisdictions, such as the U.S., South Korea and China, requesting injunctions against unauthorized use of the asserted patents and, in some cases, import bans and compensation from OSRAM. The patent infringement lawsuits initiated by LG group companies partly involve direct and indirect customers of OSRAM. OSRAM is defending itself in these lawsuits.

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In July 2008, Mr. Abolfath Mahvi filed a request for arbitration with the ICC seeking an award of damages against Siemens AG in the amount of DM150 million (or the equivalent in euro, which is approximately 77 million) plus interest. Mr. Mahvi s claim is based on a contract concluded in 1974 between a company that was then a subsidiary of Siemens and two other companies, one domiciled in the Bermudas and the other in Liberia. Mr. Mahvi alleged that he is the successor in interest to the Bermudan and Liberian companies and that the companies assisted Siemens AG in the acquisition of a power plant project in Bushehr, Iran. On August 24, 2010, the arbitration award was served upon Siemens AG. All claims of Mr. Mahvi were rejected. The plaintiff must bear the costs of the arbitration proceeding.

In July 2008, Hellenic Telecommunications Organization S.A. (OTE) filed a lawsuit against Siemens AG with the district court of Munich, Germany, seeking to compel Siemens AG to disclose the outcome of its internal investigations with respect to OTE. OTE seeks to obtain information with respect to allegations of undue influence and/or acts of bribery in connection with contracts concluded between Siemens AG and OTE from 1992 to 2006. In May 2009, OTE was granted access to the public prosecutor s files in Greece. At the end of July 2010, OTE expanded its claim and requested payment of damages by Siemens AG of at least 57.07 million to OTE for alleged bribery payments to OTE-employees. Siemens AG is defending itself against the expanded claim.

As previously reported, Siemens A.E. entered into a subcontract agreement with Science Applications International Corporation, Delaware, USA, (SAIC) in May of 2003 to deliver and install a significant portion of a security surveillance system (the C4I project) in advance of the Olympic Games in Athens, Greece. Siemens A.E. fulfilled its obligations pursuant to the subcontract agreement. Nonetheless, the Greek government claimed errors related to the C4I-System and withheld amounts for abatement in a double-digit million range. Furthermore, the Greek government withheld final payment in a double-digit million range, claiming that the system had not been finally accepted. Although Siemens A.E. is not a contractual party of the Greek government, under Siemens A.E s subcontract agreement with SAIC non-payment by the Greek government also has an economic effect on Siemens A.E. SAIC has filed for arbitration contesting all the Greek government s claims and its ability to withhold payments. The Greek State filed, inter alia, a motion to stay the arbitration in view of the ongoing criminal investigations conducted by the Greek public prosecutor. This motion was denied by the Arbitral Tribunal in July 2011. Resolution of this dispute has been complicated by public bribery and fraud allegations against Siemens A.E. in Greece, which have resulted in extensive negative media coverage concerning the C4I system.

As previously reported, in December 2008, the Polish Agency of Internal Security (AWB) remanded into custody an employee of Siemens Healthcare Poland, in connection with an investigation regarding a public tender issued by the hospital of Wroclaw in 2008. According to the AWB, the Siemens employee and the deputy hospital director were accused of having manipulated the tender procedure. In October 2010, the investigation was closed.

Russian authorities are conducting widespread investigations regarding possible fraudulent activities of resellers and governmental officials relating to procurement of medical equipment in the public sector. As is the case with other providers of medical equipment, OOO Siemens Russia has received numerous information requests and inquiries were made on-site by the authorities regarding tenders in the public healthcare sector. OOO Siemens Russia is cooperating in the ongoing investigations which also relate to certain individual employees.

In April 2009, the Defense Criminal Investigative Service of the U.S. Department of Defense conducted a search at the premises of Siemens Medical Solutions USA, Inc. in Malvern, Pennsylvania, in connection with an investigation relating to a Siemens contract with the U.S. Department of Defense for the provision of medical equipment.

As previously reported, in June 2009, Siemens AG and two of its subsidiaries voluntarily self-reported, among others, possible violations of U.S. Export Administration Regulations to the responsible U.S. authorities. On October 4, 2011, the U.S. Department of Commerce notified Siemens that it closed its case without taking further action. On October 5, 2011, the U.S. Department of the Treasury notified Siemens that it opened an investigation. Siemens is cooperating with the authorities.

As previously reported, since July 2009 the EU Anti-Fraud Office OLAF, its Romanian equivalent DELAF and the Romanian public prosecutor DNA have been investigating allegations of fraud in connection with the 2007 award of a contract to FORTE Business Services (later Siemens IT Solutions and Services Romania) to modernize the IT infrastructure of the Romanian judiciary. On September 2, 2010, OLAF put the matter on monitoring status and decided not to open formal proceedings. DELAF referred the matter to DNA and closed its investigations. The DNA investigation is still ongoing. Siemens is cooperating with the authorities.

In addition to the investigations and legal proceedings described above, 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 or potential claims for 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 indeterminate damages, Siemens may not be able to predict what the eventual loss or range of loss related to such matters will be. The final resolution of the matters discussed in this paragraph could have a material effect on Siemens business, results of operations and financial condition for any reporting period in which an adverse decision is rendered. However, Siemens currently does not expect its business, results of operations and financial condition to be materially affected by the additional legal matters not separately discussed in this paragraph.

ITEM 4A: UNRESOLVED STAFF COMMENTS

Not applicable.

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 o meaning. Such statements are based on the current expectations and certain assumptions of Siemens management, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens control, affect Siemens 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. In particular, Siemens is strongly affected by changes in general economic and business conditions as these directly impact its processes, customers and suppliers. This may negatively impact our revenue development and the realization of greater capacity utilization as a result of growth. Yet due to their diversity, not all of Siemens businesses are equally affected by changes in economic conditions; considerable differences exist in the timing and magnitude of the effects of such changes. This effect is amplified by the fact that, as a global company, Siemens is active in countries with economies that vary widely in terms of growth rate. Uncertainties arise from, among other things, the risk of customers delaying the conversion of recognized orders into revenue or cancelling recognized orders, of prices declining as a result of adverse market conditions by more than is currently anticipated by Siemens management or of functional costs increasing in anticipation of growth that is not realized as expected. Other factors that may cause Siemens results to deviate from expectations include developments in the financial markets, including fluctuations in interest and exchange rates (in particular in relation to the US$, British £ and the currencies of emerging markets such as China, India and Brazil), in commodity and equity prices, in debt prices (credit spreads) and in the value of financial assets generally. Any changes in interest rates or other

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assumptions used in calculating obligations for pension plans and similar commitments may impact Siemens defined benefit obligations and the anticipated performance of pension plan assets resulting in unexpected changes in the funded status of Siemens pension and other post-employment benefit plans. Any increase in market volatility, deterioration in the capital markets, decline in the conditions for the credit business, uncertainty related to the subprime, financial market and liquidity crises, including the sovereign debt crisis in the Eurozone, or fluctuations in the future financial performance of the major industries served by Siemens may have unexpected effects on Siemens results. Furthermore, Siemens faces risks and uncertainties in connection with: disposing of business activities, certain strategic reorientation measures, including reorganization measures relating to its segments; the performance of its equity interests and strategic alliances; the challenge of integrating major acquisitions, implementing joint ventures and other significant portfolio measures; the performance, measurement criteria and composition of its environmental portfolio; the introduction of competing products or technologies by other companies or market entries by new competitors; changing competitive dynamics (particularly in developing markets); the risk that new products or services will not be accepted by customers targeted by Siemens; changes in business strategy; the interruption of our supply chain, including the inability of third parties to deliver parts, components and services on time resulting for example from natural disasters; the outcome of pending investigations, legal proceedings and actions resulting from the findings of, or related to the subject matter of, such investigations; the potential impact of such investigations and proceedings on Siemens business, including its relationships with governments and other customers; the potential impact of such matters on Siemens financial statements, and various other factors. More detailed information about certain of the risk factors affecting Siemens is contained throughout this report and in Siemens 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 neither intends to, nor assumes any obligation to, update or revise these forward-looking statements in light of developments which differ from those anticipated.

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 issued by the IASB and as adopted by the EU, as described in Item 18: Financial Statements Notes to Consolidated Financial Statements as of, and for the years ended, September 30, 2011, 2010 and 2009. Due to rounding, numbers presented throughout this Form 20-F may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

In this report, we present a number of supplemental financial measures that are or may be non-GAAP financial measures as defined in the rules of the SEC. For definitions of these financial measures and a discussion of the most directly comparable IFRS financial measures, the usefulness of Siemens supplemental financial measures, the limitations associated with these measures and reconciliations to the most comparable IFRS financial measures, see Item 5: Operating and financial review and prospects Supplemental financial measures.

Business and operating environment

The Siemens Group Organization and basis of presentation

We are a globally operating, integrated technology company with core activities in the fields of industry, infrastructure, energy and healthcare, and we occupy leading market positions worldwide in the majority of our businesses. We can look back on a successful history spanning more than 160 years, with groundbreaking and revolutionary innovations such as the invention of the dynamo, the first commercial light bulb, the first electric streetcar, the construction of the first public power plant, and the first images of the inside of the human body. On a continuing basis, we have 360,000 employees as of September 30, 2011 and business activities in around 190 countries and reported consolidated revenue of 73.515 billion in fiscal 2011. We operate in excess of 285 major production and manufacturing plants worldwide. In addition, we have office buildings, warehouses, research and development facilities or sales offices in almost every country in the world.

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Siemens comprises Siemens AG, a stock corporation under the Federal laws of Germany, as the parent company and a total of about 1,000 legal entities, including minority investments. Our Company is incorporated in Germany, with our corporate headquarters situated in Munich. Siemens operates under the leadership of its Managing Board, which comprises the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of Siemens as well as the heads of selected corporate functions and the CEOs of the Sectors.

Our fundamental organizational principles are:

- the CEO principle,
- end-to-end business responsibility of the Sectors, Divisions and Business Units, and
- the unrestricted right of selected corporate functions to issue instructions in relation to a function to the extent legally permissible.

The Siemens Managing Board is the sole management body and has overall business responsibility in accordance with the German Stock Corporation Act (Aktiengesetz, AktG). At all other organizational levels within our Company, management responsibility is assigned to individuals who make decisions and assume personal responsibility (CEO principle). This principle establishes clear and direct responsibilities and fosters efficient decision-making.

Our Sectors, Divisions, Business Units and Financial Services (SFS) are global entrepreneurs and have end-to-end business responsibility worldwide, including with regard to their operating results. They therefore have right of way over the Clusters and Countries in business matters. The regional units (Clusters and Countries) are responsible for the local customer relationship management and for implementing the business strategies of the Sectors and SFS as well as the requirements set by the corporate functions.

In addition to their particular authority to issue binding company-wide guidelines and to their monitoring and coordinating responsibilities, the heads of selected corporate functions (Finance and Controlling, Legal and Compliance, Human Resources and Supply Chain Management, for example) have an unrestricted right to issue instructions in relation to a function across all parts of the Company to the extent legally permissible.

Below the Managing Board, Siemens is structured organizationally into Sectors, SFS which acts as business partner for the Sectors and also conducts its own business with external customers, Cross-Sector Services that support other Siemens units, Corporate Units with specific corporate functions, and regional Clusters. The Sectors are principally broken down into Divisions and these in turn into Business Units.

In fiscal 2011, our business activities focused on three Sectors, Industry, Energy and Healthcare, which formed three of our reportable segments. In addition to these three Sectors, we had two additional reportable segments: Equity Investments and SFS.

During fiscal 2011, we initiated a change in the organizational structure of our Sectors which became effective October 1, 2011. Beginning with fiscal 2012, we formed a fourth Sector, Infrastructure & Cities, in order to benefit from the growth of urban centers and the demand for infrastructure solutions. The new Sector comprises the activities of the Industry Sector s Divisions Building Technologies and Mobility and the Energy Sector s activities of the Power Distribution Division, including Smart Grid applications. The new Sector also holds the Atos S.A. (AtoS) shares and the convertible bond which Siemens received following the sale of Siemens IT Solutions and Services to AtoS. Furthermore the new Sector will include Siemens interest in OSRAM AG (formerly OSRAM GmbH), following its planned public offering. Until completion of the public offering, OSRAM AG remains a separate business directly reporting to the Managing Board of Siemens AG. The timing of the public offering depends on market conditions. We intend to retain a minority stake in OSRAM AG and to remain a long-term anchor shareholder. For further information, see Item 4: Information on the Company Portfolio activities, Item 5: Operating and financial review and prospects Fiscal 2011 compared to fiscal 2010 Fiscal 2010 Financial summary as well as Item 18: Financial Statements Notes to Consolidated Financial Statements. Financial reporting for fiscal 2011 continued to be based on the organizational structure effective until September 30, 2011. The Healthcare Sector was not affected by the reorganization. For further information concerning the organizational changes see Item 4: Information on the Company Description of business.

During fiscal 2011, our **Industry** Sector offered a complete spectrum of products, services and solutions for the efficient use of resources and energy, and improvements of productivity in industry and infrastructure. Its integrated technologies and holistic solutions addressed primarily industrial customers, such as process and manufacturing industries, and infrastructure customers, especially in the areas of transport, buildings and utilities. The portfolio spanned industry automation and drives products and services, building and mobility solutions and services, and system integration and solutions for plant businesses. Until the end of fiscal 2011, our Industry Sector comprised the five Divisions, Industry Automation, Drive Technologies, Building Technologies, Industry Solutions and Mobility. Many of the business activities of Industry Automation are characterized by relatively short business cycles and as such are influenced by prevailing economic conditions. In contrast, the longer-cycle business activities of the Mobility Division are less affected by short-term trends. During fiscal 2011, we announced our plan to publicly list our subsidiary OSRAM AG, formerly reported as a Division within the Industry Sector. Following the announcement, the business was classified as discontinued operations. Results for prior years are presented on a comparable basis. As of September 30, 2011, the Industry Sector had 174,000 employees, and in fiscal 2011 reported external revenue of 31.635 billion. Of this figure, 54% was attributable to the region comprising Europe, the Commonwealth of Independent States (C.I.S.), Africa and the Middle East, 23% to the Americas, and 23% to Asia, Australia. The largest single national market for the Industry Sector is Germany, with 22% of external revenue for the Sector during fiscal 2011. Following the organizational changes which became effective as of October 1, 2011, the Industry Sector focuses solely on industry customers and is reinforcing its service business. The Industry Solutions Division was dissolved and its business activities divided up among the Industry Automation Division, the Drive Technologies Division and the sector-led Metals Technologies Business Unit. In addition, a new Customer Services Division was formed, which bundles all service activities of the Industry Sector. Thus, beginning with fiscal 2012, the Sector consists of the Divisions Industry Automation, Drive Technologies and Customer Services and the sector-led Metals Technologies Business Unit. Financial results relating to the Customer Services Division are reported in the Industry Automation and Drive Technologies Divisions as well as in the Metals Technologies Business Unit.

Our **Energy** Sector offers a wide spectrum of products, services and solutions for the generation, transmission and distribution of power, and the extraction, conversion and transport of oil and gas. It primarily addresses the needs of energy providers, but also serves industrial companies, particularly in the oil and gas industry. The Energy Sector covers the whole energy conversion chain. During fiscal 2011, our Energy Sector was made up of the six Divisions Fossil Power Generation, Renewable Energy, Oil & Gas, Energy Service, Power Transmission and Power Distribution. Financial results relating to the Energy Service Division are reported in the Divisions Fossil Power Generation and Oil & Gas. Many of the business activities of our Energy Sector are characterized by relatively long-term projects and as such are relatively independent of short-term economic conditions. As of September 30, 2011, the Energy Sector had 98,000 employees and reported external revenue of 27.285 billion for fiscal 2011. Thereof, 56% was attributable to Europe, C.I.S., Africa, Middle East, 28% to the Americas, and 16% to Asia, Australia. The U.S. was the largest single national market for Energy in fiscal 2011, accounting for 16% of external revenue for the Sector. Following the organizational changes which became effective as of October 1, 2011, the Sector s Renewable Energy Division was split into a Wind Power Division and a Solar & Hydro Division.

Our **Healthcare** Sector offers customers a comprehensive portfolio of medical solutions across the value-added chain ranging from medical imaging to in vitro diagnostics to interventional systems and clinical information technology systems all from a single source. In addition, the Sector provides technical maintenance, professional and consulting services, and, together with SFS, financing to assist customers in purchasing the Sector s products. The Sector comprises the three Divisions Imaging & Therapy Systems, Clinical Products and Diagnostics. Furthermore, the Sector consists of the Sector Operational Unit Customer Solutions that manages the sales and service organization as well as the Business Unit covering hospital information systems and Audiology Solutions, a sector-led Business Unit that provides hearing aids. In addition to the financial results for the Sector, financial results are also reported externally for the Diagnostics Division. The Sector s business activities are relatively unaffected by short-term economic trends but are dependent on regulatory and policy developments around the world. As of September 30, 2011, the Healthcare Sector had 51,000 employees, and in fiscal 2011 reported external revenues of 12.463 billion. Of this figure, 36% was attributable to the region comprising Europe, C.I.S., Africa and the Middle East, 42% to the Americas, and 22% to Asia, Australia. By far the largest single national market for Healthcare is the U.S., with 35% of external revenue for the Sector during fiscal 2011.

In general, the segment **Equity Investments** comprises equity stakes held by Siemens that are accounted for by the equity method, at cost or as current available-for-sale financial assets and are not allocated to a Sector, SFS, Centrally managed portfolio activities, Siemens Real Estate (SRE), Corporate items or Corporate Treasury for strategic reasons. Our main investments within Equity Investments are our stake of approximately 50.0% in Nokia Siemens Networks B.V. (NSN), our 50.0% stake in BSH Bosch und Siemens Hausgeräte GmbH (BSH) as well as our 49.0% stake in Enterprise Networks Holdings B.V. (EN).

Financial Services (SFS) is an international provider of financial solutions in the business-to-business area. SFS supports Siemens as well as third parties in the industry areas of industry, infrastructure, energy, and healthcare. SFS finances infrastructure, equipment and working capital and supports and advises Siemens concerning financial risk and investment management. By integrating financing expertise and industrial know-how, SFS creates value for its customers and helps them strengthen their competitiveness. As of September 30, 2011, SFS had 3,000 employees.

Within this report, we provide financial measures for our three Sectors and for eleven Divisions of our Sectors. These financial measures include: new orders, revenue, profit and profit margin. For Equity Investments we report profit, and for SFS we report profit and total assets. Free cash flow and further information is reported for each reportable segment in the Notes to Consolidated Financial Statements. For information related to the definition of these financial measures and to the reconciliation of segment financial measures to the Consolidated Financial Statements, see Item 5: Operating and financial review and prospects Supplemental financial measures as well as Item 18: Financial Statements Notes to Consolidated Financial Statements.

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On a geographic basis, Siemens was subdivided into 17 Regional Clusters as of September 30, 2011, which are in turn assigned to one of our three reporting regions. We report financial measures for these three regions:

In addition, we report financial information at group level for certain major countries within each region, including Germany (within the region Europe, C.I.S., Africa, Middle East), the U.S. (within the region Americas), and China and India (within the region Asia, Australia).

Financial performance measures

This section on **financial performance measures** describes several measures that are or may be non-GAAP financial measures. Other companies that report or describe similarly titled financial measures may calculate them differently. For further information about these measures, please see Item 5: Operating and financial review prospects Supplemental financial measures.

As of the beginning of fiscal 2011, we introduced **One Siemens our framework for sustainable value creation**; for further information see Item 4: Information on the Company Strategy Strategy of the Siemens Group. As part of One Siemens, we have developed a financial target system for capital-efficient growth that we believe will drive the value of our Company. Our goal is to achieve continuous improvement relative to the market and our competitors. The financial target system of One Siemens defines indicators for revenue growth, capital efficiency and profitability, the optimization of our capital structure, and our dividend policy. In addition, we set hurdle rates that generally need to be considered before acquisitions are executed.

Revenue growth

We believe that an important driver for increasing our Company s value over the long term is profitable **revenue growth**. Specifically, our goal is to grow our revenue faster than the average revenue growth of our most relevant competitors. For purposes of comparison to the revenue growth of our competitors, our revenue growth is calculated as the growth rate of reported revenue (as presented in the Consolidated Financial Statements). In fiscal 2011 and 2010 reported revenue growth was 7% and (2)%, respectively. Revenue growth adjusted for currency translation and portfolio effects was 7% and (3)% for fiscal 2011 and 2010, respectively.

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Capital efficiency and profitability

Our aim is to work profitably and as efficiently as possible with the capital of our shareholders and lenders. As part of One Siemens, we monitor our capital efficiency using adjusted return on capital employed, or **ROCE (adjusted)**, which is reported on a continuing operations basis. This measure assesses our income generation from the point of view of our shareholders and lenders. ROCE (adjusted) is defined as income from continuing operations before interest after tax divided by average capital employed. For information on the calculation of ROCE (adjusted) and its components, see Item 5: Operating and financial review prospects Supplemental financial measures. Our target is to achieve a ROCE (adjusted) of 15% to 20%. Siemens weighted average cost of capital (WACC) is currently estimated at approximately 7.5%. ROCE (adjusted) in the fiscal years 2011 and 2010 was 24.0% and 13.4%, respectively.

In line with common practice in the financial services industry, return on equity after tax, or **ROE (after tax)**, is used as our financial indicator for measuring capital efficiency at Financial Services (SFS). We define ROE (after tax) as SFS profit after tax, divided by SFS average allocated equity. For purposes of calculating ROE (after tax), the relevant income tax is calculated on a simplified basis, by applying an assumed 30% flat tax rate to SFS profit, excluding income (loss) from investments accounted for using the equity method, net, which is basically net of tax already, and tax-free income components and other components which have already been taxed or are basically tax free. For information on the calculation of ROE (after tax) and its components, see Item 5: Operating and financial review prospects Supplemental financial measures. Our goal is to achieve ROE (after tax) of 15% to 20% at SFS. ROE (after tax) at SFS was 22.6% for fiscal 2011 and 24.8% for fiscal 2010.

We intend to maintain and further improve the profitability of our businesses. Our goal is to achieve margins comparable to the best competitors within our industries throughout the entire business cycle. Our **adjusted EBITDA margins** are defined as the ratio of adjusted EBITDA (as presented in Item 5: Operating and financial review and prospects Reconciliation to adjusted EBITDA (continuing operations)) to revenue (as presented in Item 18: Financial Statements Notes to Consolidated Financial Statements). We have defined adjusted EBITDA margin ranges for the respective industries of our three Sectors. These margin ranges are 10% to 15% for the industries that our Industry and Energy Sectors operate in, and 15% to 20% in the healthcare industry. The adjusted EBITDA margin for our Industry Sector was 13.3% in fiscal 2011, up from 11.4% in the prior year. The adjusted EBITDA margin for Energy was 14.3% in the current fiscal year, compared to 14.7% a year earlier. Healthcare s adjusted EBITDA margin was 15.7% in fiscal 2011, down from 20.1% in fiscal 2010. As of the beginning of fiscal 2012, concurrent with the launch of the new Infrastructure & Cities Sector, we have defined new margin ranges for the industries relevant to that Sector and the Industry Sector in its new

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composition. These margin ranges are 8% to 12% and 11% to 17%, respectively. The margin ranges for the industries relevant to our Energy and Healthcare Sectors remain unchanged.

Capital structure

Sustainable profit and revenue can be achieved only on the basis of a healthy capital structure. A key consideration for us in this regard is the maintenance of ready access to the capital markets through various debt products and the preservation of our ability to repay and service our debt obligations over time. Therefore, we use the ratio of adjusted industrial net debt to adjusted EBITDA for optimizing our capital structure. For information on this calculation and its components, see Item 5: Operating and financial review prospects Liquidity and capital resources Capital structure and Item 5: Operating and financial review prospects Supplemental financial measures. Our goal is to achieve a ratio in the range of 0.5 1.0. Our capital structure ratios in the fiscal years 2011 and 2010 were (0.14) and 0.22, respectively.

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Dividend policy

As part of One Siemens, we intend to provide an attractive dividend payout to our investors. We have therefore established a dividend policy of proposing an annual dividend representing 30% to 50% of net income which for these purposes we adjust to exclude selected exceptional non-cash effects. We intend to fund the dividend payout from our generated Free cash flow. The Managing Board has proposed a dividend of 3.00 per share of the fiscal 2011 earnings of Siemens AG, representing a total payout of 2.6 billion based on shares outstanding as of September 30, 2011. Payment of the proposed dividend is contingent upon approval by Siemens shareholders at the Annual Shareholders Meeting on January 24, 2012. Based on this proposal, the dividend payout percentage would be 41% for fiscal 2011 based on net income of 6.321 billion. The percentage for fiscal 2010 was 46% based on a total dividend payout of 2.356 billion and net income of 4.068 billion. The net income for fiscal 2010 was adjusted for exceptional non-cash-effects of 1.069 billion related to impairment charges at Diagnostics.

Additional indicators

In addition to the financial indicators discussed above, we use several other metrics to assess the economic success of our business activities. To determine whether a particular investment is likely to generate value for Siemens, we use net present value or economic value added (EVA). EVA considers the cost of capital in calculating value creation by comparing the expected earnings of an investment against the cost of capital employed. EVA is also an indicator for measuring capital efficiency in our Sectors and SFS.

To measure our liquidity management, we analyze the net working capital turns of our operating activities, as well as the capital expenditure rate, defined as the ratio of additions to intangible assets and property, plant and equipment and additions to assets held for rental in operating leases to depreciation and impairments of property, plant and equipment, net of reversals of impairments as well as amortization and impairments of intangible assets, net of reversals of impairments (as presented in Item 18: Financial Statements Notes to Consolidated Financial Statements). Goodwill impairment is excluded. For our capital expenditure rate, we have set a target range of 95% to 115%. For further information, see Item 5: Operating and financial review prospects Liquidity and capital resources Capital resources and requirements. In addition, we set hurdle rates that generally need to be considered before acquisitions are executed. In general, acquisitions need to be accretive to EVA within two years after the closing of the transaction and need to be in line with our ROCE (adjusted) target within three years after the integration.

Economic environment

Worldwide economic environment

The global economy is continuing to recover in 2011, although the pace of growth has slowed considerably as the year has progressed. On the one hand, this slowdown is cyclical, as a normal response to the strong recovery process of last year. At the same time, however, economic growth is also being inhibited by the savings and consolidation policies adopted by most industrialized countries. Furthermore, the rising uncertainty caused by the escalating sovereign debt crisis in a number of industrialized countries, as well as concerns about the stability of the banking sector are having a negative impact on investment and private consumer spending. IHS Global Insight is predicting overall growth of 3.0% in **global gross domestic product (GDP)** in 2011 driven by high dynamic growth experienced by emerging economies following a growth in global GDP of 4.2% in real terms in 2010.

From a regional perspective, IHS Global Insight predicts that the **Europe, C.I.S., Africa, Middle East** region will see economic growth of 2.3% compared to growth of 2.7% in 2010. Within the region, the countries in our Africa Cluster are experiencing the highest GDP growth rate with 4.3%, down from a 4.6% GDP growth rate a year earlier. This development is favored in part by high commodity prices, and also by this region s relative independence in terms of global economic trends. The C.I.S. countries are also profiting from the development of commodity prices. IHS Global Insight predicts that the C.I.S. GDP will grow by 4.3% in 2011 following a 4.5% growth in GDP reported a year earlier. The Middle East Cluster can expect a downturn in investments and tourism stemming from social and political instability in some countries. With forecasted GDP growth of 2.8%, this cluster will probably fall far short of the growth levels achieved last year. Within Europe, there is a significant divergence in economic trends for 2011 as was also the case a year earlier. A number of countries in Northern and Central Europe are significant growth drivers in the region. IHS Global Insight expects Germany to see its GDP grow by 3.0% based on its strong export economy. Last year the German GDP grew by 3.7%. In 2011, our cluster Central Eastern Europe is expected to grow by 4.2% following the 4.3% recorded a year earlier. The GDP is expected to stagnate or even contract in several southern and western European countries that have been hit particularly hard by the sovereign debt crisis in 2011. The European Union is experiencing a significant downturn in GDP growth as the year progresses. This is exacerbated by high commodity prices, efforts to reduce public spending and the escalating sovereign debt crisis, which is undercutting consumer and producer confidence.

In the **Americas** region, GDP growth in 2011 is slowing down perceptibly compared with last year. For this region IHS Global Insight predicts GDP growth of 2.3% for 2011 following growth of 3.7% achieved in 2010. Growth in the U.S. is declining sharply. IHS Global Insight forecasts only a slight GDP increase of 1.7% in 2011 following the growth rate of 3.0% achieved by the U.S. in 2010. High unemployment, a persistently weak housing market and high public and private debt are having a negative impact on the key consumer sector in the U.S. The countries of Latin America, however, are growing much faster. The main growth drivers are those countries that export raw materials, such as Argentina, Peru, Chile and Uruguay. In contrast, GDP growth in Brazil is dipping significantly. The strengthening of the country s currency (the Brazilian real) coupled with the government s efforts to curb inflation have contributed to the slowdown. After GDP growth of 7.5% in 2010, IHS Global Insight forecasts that Brazil is experiencing an increase of 3.6% in GDP for 2011.

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Growth in the **Asia, Australia** region in 2011 is also comparatively muted, although GDP is expected to climb at a markedly stronger pace than that of the other two reporting regions. IHS Global Insight forecasts GDP growth of 4.6% in 2011 following an increase of 7.1% in 2010. Key factors triggering this decline were the catastrophic earthquake and tsunami in Japan which temporarily brought not only the nation s economy but also the supply chain in other Asian countries to a standstill. According to IHS Global Insight, Japan s GDP is expected to decline by 0.6% in 2011, whereas it increased by 4.0% in 2010. China continues to record strong GDP growth. IHS Global Insight predicts GDP growth of 9.3% in China in 2011 following the 10.3% growth in GDP reported a year earlier. Although investments are declining somewhat as economic stimulus packages wind down, China continues to be the most important growth driver for the global economy in 2011. Driven by its domestic consumer market, India also continues to see strong GDP growth in 2011. IHS Global Insight forecasts GDP growth of 7.5% for India in 2011 following the 8.8% growth achieved in 2010.

A key factor for Siemens, as a plant and infrastructure provider, is the trend in **gross fixed investments**, one of the ways in which gross domestic product is used. This trend is heavily influenced by fluctuations in the economic cycle. IHS Global Insight is predicting growth of 5.7% in gross fixed investments for 2011 following an increase of 5.3% in 2010. In the Europe, C.I.S., Africa, and Middle East region, which, with a 1.1% increase in gross fixed investments a year earlier, experienced the weakest growth rate of any of our reporting regions, IHS Global Insight expects gross fixed investment growth of 4.0% in 2011. One of the key growth drivers in the region is Germany. Here growth is expected to accelerate to 7.5% in 2011, according to IHS Global Insight. Last year s figure was 5.2%. For the Americas region, IHS Global Insight forecasts 5.1% growth in gross fixed investments, down from 5.4% achieved in 2010. While gross fixed investments in the U.S. are expected to increase by 3.4% in 2011, up from 2.0% reported last year, growth in Brazil declined to a normal level and is estimated to reach 6.5% in 2011. In 2010, growth in Brazil was exceptionally high at 21.8%. Gross fixed investments in the Asia, Australia region are expected to rise by 8.0% in 2011, according to IHS Global Insight. Last year s figure was 9.3%. With regard to China, growth in gross fixed investments is expected to fall to 11.7% from the 13.4% reported in 2010. IHS Global Insight predicts that India s gross fixed investments will grow by 7.9% in 2011 following the 8.6% reported a year earlier.

A key factor for Siemens as a manufacturer is **manufacturing value added**, a component used in calculating gross domestic product by means of the production approach. Following the exceptionally high growth rate of 9.2% recorded in 2010, IHS Global Insight forecasts 5.2% growth in manufacturing value added in 2011, with the Asia, Australia region being expected to see the strongest growth of the three reporting regions.

The partly estimated figures presented here for gross domestic product are drawn from an IHS Global Insight report dated October 15, 2011. The partly estimated figures on gross fixed investments and manufacturing value added are drawn from an IHS Global Insight report dated October 25, 2011. Siemens has not independently verified this data.

In addition to the common currency of the European Monetary Union (the euro,) another key currency for Siemens is the US$. Following a decline of the value of the against the US$ in the middle of the first quarter of

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fiscal 2011, the continuously strengthened against the US$ until the beginning of the third quarter of the current fiscal year. After a slight decline of the in the second month of the third quarter of fiscal 2011, the value of the against the US$ remained nearly unchanged until the end of August 2011. The last month of fiscal 2011 was marked by a significant drop of the euro against the US$ on growing concerns over the sovereign debt crisis in a number of southern European member states of the European Monetary Union. Overall the value of the against the US$ declined 2% compared to the end of the last fiscal year.

Our businesses are also dependent on the development of raw material prices. Key materials to which we have significant cost exposure include copper, various grades and formats of steel and aluminum. In addition, within stainless steel we have considerable exposure related to nickel and chrome alloy materials.

The monthly average price of copper (denominated in per metric ton) increased by approximately 2% during fiscal 2011, adding to the approximately 40% price increase already absorbed in fiscal 2010. Prices for copper are pushed higher both by tightened supply and demand fundamentals and by speculative influences in the commodity markets. Nevertheless, because copper is produced in multiple locations and traded, such as across the London Metal Exchange, the risk to Siemens is primarily a price risk rather than a supply risk.

Monthly average prices of aluminum did not show a net increase during the past fiscal year, maintaining the nearly 33% rise of fiscal 2010. Aluminum prices have been supported mainly by high energy costs as well as fundamental demand. As with copper, we see developments in the aluminum market as posing a price risk, rather than a supply risk.

Steel prices showed a more fragmented picture in fiscal 2011. Prices for hot rolled coil (HRC) sheet products were under pressure, while prices for plate and long products were more firm. HRC sheet prices came down slightly after an increase of approximately 27% in fiscal 2010, pressured by a significant increase in crude steel production in China, but supported by elevated raw material costs (source: CRU, an independent business analysis and consultancy group focused on, among other things, the mining and metals sectors).

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In addition to the above mentioned raw materials, we have a considerable exposure related to rare earth metals. Prices for some rare earth materials surged during the fiscal year as overall demand increased while supply remained restricted. This situation poses a significant price risk as well as supply risk for technology manufacturers, including Siemens.

Our main exposure to the prices of copper and related products, and to steel and stainless steel, is in the Sectors Industry and Energy. Our main price exposure related to aluminum is in the Industry Sector. In addition, Siemens is generally exposed to energy prices, both directly (electricity, gas, oil) and indirectly (energy used in the manufacturing processes of suppliers). Some of our continuing operations face price and supply risks related to rare earth metals, particularly the Industry Sector s Drive Technologies Division and the Energy Sector s Renewable Energy Division.

Siemens employs various strategies with a view to reducing the price risk in its project and product businesses, such as long-term contracting with suppliers, physical and financial hedging and price escalation clauses with customers.

Market development

According to an analysis published by IHS Global Insight on July 22, 2011, investments are expected to continue to rise in nominal terms in 2011 in all of the market segments that are significant for our Sectors, in spite of the uncertainty brought about by the debt crisis in a number of countries. While investment growth in the previous year had largely been driven by the emerging economies, the investments made by some industries have in 2011 also been rising sharply in a number of industrialized nations.

In the markets significant for the **Industry** Sector, investments of the transport and infrastructure industry are expected to experience the strongest growth rates in 2011, at around 23%. Last year, the investments made by this industry expanded by around 15%. In addition to continuing strong growth in emerging countries such as Brazil, India, and China, the rise in investments in this market segment is boosted by double-digit growth rates in numerous industrialized countries, especially in central and northern Europe, where investment demand had stagnated or declined in the previous year. The rate of expansion in the machine building industry in 2011 is expected to be almost at the same level. For comparison, in 2010, investments in this segment increased by around 19%. Slower growth in some Asian countries compared with the exceptionally rapid expansion of the previous year is more than offset by faster rates of expansion in a number of industrialized countries, especially in Europe. At just over 20%, investments in the chemical industry as well as the oil and gas industry are expected to outpace the previous year s rate of expansion. In the chemical industry, China is forecasted to maintain its rapid growth rate of around 25% in 2011, virtually unchanged from the previous year. The oil and gas industry is benefiting from oil prices that have risen in line with the economic recovery. High commodity price levels are driving investments in the metals and mining sector higher in 2011; they are expected to expand by around 20%, and hence slightly faster than in the previous year. The growth drivers include China, Australia, and a number of South American countries. Investments in the transport equipment industry are expected to expand by about 19% in 2011, while growth of around 18% is anticipated for transportation services. This compares with prior-year investment growth of 13% and 14% respectively. Investments in the pulp and paper industry will rise by an estimated 18% in 2011, after around 11% in the year before. In addition to China and Brazil, a number of European countries are forecasted to record substantial increases compared with the previous year. Investments in the electrical and electronic as well as the automotive industries are expected to rise by around 18% in 2011, representing only a marginal slowdown compared with 2010. The automotive industry is expected to expand rapidly in 2011, especially in Germany, where growth was sluggish in the previous year. For the pharmaceutical industry, investment growth is estimated to reach around 18% in 2011, after around 14% in 2010. Investments in the post and logistics industry will rise by an estimated 16% in 2011, after around 11% in the year before. In addition to catch-up investments in some industrialized nations, where investments stagnated in the previous year, investments in logistics in emerging countries, such as Brazil, Russia, India, and China, remain buoyant. In the food and beverage industry, which is less susceptible to fluctuations in the economy, investments are set to grow by around 15% in 2011, similar to the growth rate recorded in the year before. In the wholesale and retail industry, which was still benefiting from rising consumer confidence at the beginning of 2011, investment is

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anticipated to expand by around 14%, following growth of around 8% in the previous year. Investments in the construction and real estate industry are also forecasted to expand by 14% in 2011, while investments in the public sector are set to increase by around 13%. Last year, the investments made by the two industries expanded by around 9%.

Our **Energy** Sector is also benefiting from the continuing economic recovery in a number of markets mentioned for the Industry Sector above in 2011. These markets include the chemical industry, the oil and gas industry, transportation services, the post and logistics sector, and the wholesale and retail sector. In addition, the significant growth in investing activities in the utilities sector is having a positive impact in 2011. After investment growth of 10% in 2010, IHS Global Insight forecasts an increase of around 18% for the current year, driven in particular by rising demand for energy in the emerging economies.

Investments within the international healthcare markets, served by our **Healthcare** Sector, are expected to increase by around 10% in 2011, following a rise of around 6% in the year before. This increase is likewise fueled by significantly expanding investments made by emerging countries. Significant increases in investments are also expected in some industrialized countries in Europe, however, such as Switzerland, Germany, or France. In the U.S. market, which is significant for our Healthcare Sector, investments are forecasted to grow at a below-average rate in 2011, similar to the previous year.

Fiscal 2011 compared to fiscal 2010

Fiscal 2011 Financial summary

In fiscal 2011 we maintained our profitable growth momentum and further focused our business portfolio in alignment with our long-term strategy. Both orders and revenue grew in all Sectors and all reporting regions, and by the year s end many of our businesses saw volumes returning to or exceeding their peak levels before the downturn. Strong execution in the Sectors throughout the year took Total Sectors profit up substantially compared to fiscal 2010. In combination with net gains related to portfolio transactions, this lifted income from continuing operations well above prior-year levels. During the fiscal year we exited a nuclear power joint venture, disposed of our IT services business and announced our plans to publicly list our lighting business. These transactions are described in more detail below. In addition, we prepared a realignment of selected business activities in order to further sharpen the focus in our Sectors Industry and Energy while creating a new Sector to focus on growth opportunities associated with urbanization and demand for infrastructure solutions. This strategic change took effect with the beginning of fiscal 2012. For further information concerning the organizational changes see Item 4: Information on the Company Description of business.

Among other portfolio activities during fiscal 2011, we sold our 34% investment in Areva NP S.A.S. (Areva) to the majority shareholder Areva S.A. pursuant to a put notice exercised in fiscal 2009. In December 2010, Siemens and AtoS signed an option agreement which granted AtoS the right to acquire Siemens IT Solutions and Services. In February 2011, AtoS exercised its option to acquire Siemens IT Solutions and Services in exchange for 12.5 million newly issued shares in AtoS with a five-year lock-up commitment, a five-year convertible bond of 250 million (nominal value) and a cash payment of 177 million. Following the signing, we classified Siemens IT Solutions and Services as held for disposal and as discontinued operations. Closing of the transaction was on July 1, 2011 following clearance of the transaction by the relevant antitrust authorities and the approval from AtoS shareholders on July 1, 2011. Siemens is providing extensive support to AtoS in order to foster Siemens IT Solutions and Services business success, including up to 250 million for integration and training costs as well as further protections and guarantees. Related to the transaction is a seven-year outsourcing contract worth around 5.5 billion, under which AtoS will provide managed services and system integration to Siemens. In order to reimburse AtoS for additional costs, which arise in the post-closing transition phase as AtoS becomes Siemens external IT service provider, Siemens will pay approximately 200 million over the next two years of which an amount of 53 million was taken within continuing operations during fiscal 2011. At the end of March 2011, we announced that we plan to publicly list our subsidiary OSRAM AG. Following the announcement, the business was classified as discontinued operations. Prior-year results are presented on a comparable basis. The timing of the public offering depends on market conditions. We intend to retain a minority stake in OSRAM AG and to remain a long-term anchor shareholder.

We restored revenue growth. Revenue for Siemens overall as well as for Total Sectors increased 7% year-over-year, driven by the Sectors Industry and Energy. Growth in Industry primarily included strong recovery in the Sector s short-cycle businesses, while revenue in Energy grew at all Divisions. Both Sectors raised their revenue in each of the four quarters of fiscal 2011 compared to the respective prior-year quarter. Revenue at Healthcare was flat year-over-year. On a geographic basis, revenue grew in all the reporting regions, including double-digit growth rates in the Asia, Australia and the Americas regions.

Orders grew even faster than revenue. Order development was largely following the pattern described above for revenue development, with growth driven primarily by the Sectors Industry and Energy. While Industry s short-cycle businesses contributed strongly to order growth for the Sector, the increase year-over-year also included Siemens largest-ever train order, worth 3.7 billion. Order growth at Energy was broad-based across the Sector s Divisions. Healthcare delivered slightly higher orders year-over-year. On a geographic basis, orders grew in all the reporting regions, including double-digit rates in the regions Asia, Australia and Europe, C.I.S., Africa, Middle East.

We increased Total Sectors profit to 9.093 billion. Total Sectors profit climbed 36% compared to the prior fiscal year. The increase year-over-year included a strong operating performance in Industry s short-cycle businesses and Energy s Fossil Power Generation Division. The highest growth rate in profit came in Healthcare primarily due to impairment charges of 1.204 billion at its Diagnostics Division that impacted the Sector s profit in the prior fiscal year. Charges at Healthcare in the current period were significantly lower. Total Sectors profit in the current period benefited from a net gain related to Areva. While the Energy Sector recorded a 1.520 billion gain on the sale of its share in Areva, an adverse arbitration decision resulted in a payment to Areva S.A. with an associated profit impact of 682 million.

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Beginning with fiscal 2011, central infrastructure costs, which were formerly reported in Corporate items, have been allocated primarily to the Sectors. The total amount to be allocated is determined at the beginning of the fiscal year and is charged in equal installments in all four quarters. Prior-year financial information is reported on a comparable basis.

Income from continuing operations reached 7.011 billion. Corresponding basic earnings per share (EPS) rose to 7.82. A year earlier, income from continuing operations was 4.262 billion and corresponding basic EPS was 4.72. The strong increase in income from continuing operations was driven primarily by the high level of Total Sectors profit, and secondarily by improved results outside the Sectors. Expenses for Corporate items and pensions came in lower year-over-year, in part because these expenses in the prior fiscal year included 267 million (pretax) related to special remuneration for non-management employees. After determination of the allocation, 240 million (pretax) of the remuneration was allocated to the Sectors in fiscal 2011. Income from continuing operations increased also on lower losses at Equity Investments and Centrally managed portfolio activities compared to the prior fiscal year.

Net income rose to 6.321 billion from 4.068 billion in fiscal 2010. Corresponding basic EPS rose to 7.04 compared to 4.49 a year earlier. The primary driver of net income growth was higher income from continuing operations. In contrast, discontinued operations had a negative influence on net income. This was due primarily to Siemens IT Solutions and Services, which was reclassified as discontinued operations during the year and posted a loss of 826 million compared to a loss of 468 million a year earlier. The sale of the business resulted in a negative earnings impact of 903 million (pretax) in fiscal 2011. In particular, this negative earnings impact consists of impairments and restructuring charges of 909 million (pretax) and a gain of 6 million (pretax) which was recognized upon deconsolidation of Siemens IT Solutions and Services. In addition to these transaction-related results, Siemens took charges in fiscal 2011 related to establishing Siemens IT Solutions and Services as a separate legal group, including for carve-out activities and personnel-related matters. Such charges reported within discontinued operations amounted to 168 million (pretax) in fiscal 2011, including 90 million for carve-out costs. Siemens expects the transaction to result in substantial cash outflows in coming quarters. OSRAM was also reclassified as discontinued operations in fiscal 2011. It made a positive contribution to net income in both periods under review, including 309 million in the current period and 318 million in fiscal 2010. Overall, discontinued operations resulted in a loss of 690 million in fiscal 2011, compared to a loss of 194 million a year earlier.

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Free cash flow from continuing operations was 5.885 billion. In the prior fiscal year, Free cash flow from continuing operations was 7.043 billion. The decline year-over-year was mainly due to the Energy Sector which significantly built up its net working capital, particularly including inventories. Lower Free cash flow at Healthcare was more than offset by an increase at Industry as well as lower cash outflows outside the Sectors year-over-year.

We improved our capital efficiency. On a continuing basis, return on capital employed (ROCE) (adjusted) increased to 24.0%, up from 13.4% in fiscal 2010. The difference was due primarily to higher income from continuing operations and, to a lesser extent, to a decline in average capital employed year-over-year. Within these numbers, the effect from the Areva gain of 1.520 billion (pretax) and the adverse arbitration decision of 682 million (pretax) together represented a positive 3.3 percentage points on ROCE (adjusted) in the current period, while the pretax impairment charges of 1.204 billion at Diagnostics in fiscal 2010 cut 3.1 percentage points from ROCE (adjusted).

We propose to increase the dividend. The Siemens Managing Board, in agreement with the Supervisory Board, proposes a dividend of 3.00 per share. The prior-year dividend was 2.70 per share. Based on shares outstanding as of September 30, 2011, this proposal corresponds with a dividend payment of 41% of Siemens net income for fiscal 2011.

Results of Siemens

The following discussion presents selected information for Siemens for the fiscal year ended September 30, 2011:

Orders and revenue

In fiscal 2011, orders rose 16% year-over-year, to 85.582 billion, including a substantially higher volume from major orders compared to the prior-year period. Revenue increased steadily throughout fiscal 2011 and came in at 73.515 billion, up 7% from the prior-year period. This resulted in a book-to-bill ratio of 1.16 for Siemens in fiscal 2011. Organic volume development was in line with reported figures, given that effects from currency exchange fluctuations during fiscal 2011 largely offset one another. The order backlog (defined as the sum of order backlogs of our Sectors) was 96 billion as of September 30, 2011, up from 87 billion a year

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earlier. Out of the current backlog, orders of 40 billion are expected to be converted into revenue during fiscal 2012, orders of 23 billion during 2013, and the remainder in the periods thereafter.

	New orders (location of customer)					
	Year ended September 30,		% Change vs. previous year		therein	
	2011	2010	Actual	Adjusted[(1)]	Currency	Portfolio
	(in millions of)					
Europe, C.I.S.[(2)], Africa, Middle East	47,095	39,513	19%	19%	0%	0%
therein Germany	*17,353*	*10,690*	*62%*	*63%*	*0%*	*(1)%*
Americas	22,109	21,441	3%	5%	(2)%	0%
therein U.S.	*15,735*	*15,179*	*4%*	*7%*	*(3)%*	*0%*
Asia, Australia	16,378	13,102	25%	24%	2%	(1)%
therein China	*6,241*	*5,281*	*18%*	*20%*	*0%*	*(2)%*
therein India	*3,310*	*2,286*	*45%*	*44%*	*1%*	*0%*
Siemens	**85,582**	**74,055**	**16%**	**16%**	**0%**	**0%**

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

Orders related to external customers in fiscal 2011 increased by 16% compared to the prior year, including higher demand in all Sectors. The Industry Sector reported order growth of 24% on increases in four of its five Divisions. The largest of these increases came from Mobility, where a higher volume from large orders compared to the prior-year period included the 3.7 billion order for trains mentioned earlier. Drive Technologies and Industry Automation contributed double-digit order growth in fiscal 2011. Order intake in the Energy Sector rose by double digits in the current period and included growth at all Divisions. A higher volume from major orders in the Energy Sector was most notable at Fossil Power Generation. Orders in Healthcare increased moderately compared to the prior-year period, due to robust growth at its imaging and therapy systems businesses. Orders in emerging markets on a global basis, as these markets are defined by the International Monetary Fund, grew faster than orders overall, by 18% year-over-year, and accounted for 28.165 billion, or 33%, of total orders for fiscal 2011.

On a geographic basis, Siemens reported order growth in all three reporting regions in fiscal 2011. In the region **Europe, C.I.S., Africa, Middle East**, orders rose 19% on double-digit increases in Industry and Energy. Industry orders rose 37% in the region, due largely to the major contract win for trains at Mobility mentioned above. This was also the primary driver for 62% order growth in Germany. Order growth for Industry in the region also included strong demand at Drive Technologies and Industry Automation. The Energy Sector delivered order growth of 11% in the Europe, C.I.S., Africa, Middle East region, due primarily to a higher volume from major orders at Fossil Power Generation and Renewable Energy compared to the prior-year period. Healthcare s orders in the region came in slightly below the level of fiscal 2010. In the **Americas**, order intake rose 3% on increases in Energy and Industry. Higher orders in the Energy Sector were due primarily to higher demand at Power Transmission and Fossil Power Generation. Order growth in Industry in the Americas region was led by a strong double-digit increase at Drive Technologies. Healthcare s orders in the region came in level compared to the prior-year period. Order intake in the **Asia, Australia** region climbed 25% in fiscal 2011, including double-digit growth in all Sectors. Orders in the Energy Sector in the region climbed 51% compared to the prior-year period, including a higher volume from major orders mainly at Fossil Power Generation and Oil & Gas. Orders in the Asia, Australia region increased 16% in Healthcare compared to the prior-year period, due mainly to strong order growth at its imaging and therapy systems businesses. Industry reported 12% order growth in the region, including strong demand at Drive Technologies and Industry Automation. Order intake in India increased significantly compared to the prior-year period, due primarily to a major contract win at Fossil Power Generation in the first quarter of fiscal 2011.

As previously disclosed, we have decided that, subject to the exceptions outlined below, we will not enter into new contracts with customers in Iran. Accordingly, we have issued group-wide policies that establish the details of our general decision. Under these policies, Siemens shall not tender further bids for direct deliveries to

customers in Iran. Furthermore, indirect deliveries from Siemens to Iran via external third parties, including companies in which Siemens holds a minority stake, are generally prohibited unless an exception is specifically approved under certain circumstances. Notwithstanding the foregoing, products and services for humanitarian purposes, including the products and services supplied by our Healthcare Sector, and products and services required to service the installed base (e.g., spare parts and maintenance and assembly services) may still be provided under the policies. Finally, pre-existing commitments to customers in Iran may be honored, i.e., legally binding obligations resulting from agreements that existed, or bids that were submitted, before the aforementioned policies were announced and adopted. Although, over time, we expect our business activities in Iran to decline as a result of the implementation of the policies described above and the related reduction of the number of new contracts, the actual development of our revenues will largely depend on the timing and scope of customer requests to fulfill pre-existing commitments. For additional information, see Item 3: Key information Risk factors.

	Revenue (location of customer)					
	Year ended September 30,		% Change vs. previous year		therein	
	2011	2010	Actual	Adjusted[1]	Currency	Portfolio
	(in millions of)					
Europe, C.I.S.[2], Africa, Middle East	38,666	37,558	3%	3%	0%	(1)%
therein Germany	*10,810*	*10,222*	*6%*	*6%*	*0%*	*(1)%*
Americas	20,492	18,642	10%	13%	(3)%	0%
therein U.S.	*14,371*	*13,308*	*8%*	*12%*	*(4)%*	*0%*
Asia, Australia	14,357	12,778	12%	12%	1%	(1)%
therein China	*6,389*	*5,526*	*16%*	*17%*	*0%*	*(1)%*
therein India	*2,353*	*1,877*	*25%*	*27%*	*(2)%*	*0%*
Siemens	**73,515**	**68,978**	**7%**	**7%**	**0%**	**0%**

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

Revenue related to external customers rose 7% compared to fiscal 2010, including increases in all Sectors. Strong conversion from the Sectors order backlogs played a major role in broad-based revenue growth. Revenue in the Industry Sector increased 9% year-over-year, led by strong double-digit growth at Drive Technologies and Industry Automation. Energy reported a revenue increase of 8% in fiscal 2011 on increases in all Divisions, led by Renewable Energy, Fossil Power Generation and Oil & Gas. Revenue in the Healthcare Sector came in slightly above the prior-year period. On a global basis, emerging markets grew faster than revenue overall, at 11%, and accounted for 24.064 billion, or 33%, of total revenue in fiscal 2011.

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On a geographic basis, revenue increased in all three reporting regions, led by double-digit growth in the Americas and Asia, Australia. In the **Europe, C.I.S., Africa, Middle East** region, revenue increased 3% year-over-year, including moderate growth in Industry and Energy and a decrease in Healthcare. Revenue growth of 6% in Germany was driven by double-digit increases at Drive Technologies and Industry Automation. In the **Americas**, higher revenue included double-digit increases in Energy and Industry. Growth in the Energy Sector was led by Fossil Power Generation and Renewable Energy. Higher revenues in Industry in the Americas region included double-digit increases at Industry Solutions, Industry Automation and Drive Technologies. The U.S. contributed 8% revenue growth driven by a sharp increase at Fossil Power Generation. In the **Asia, Australia** region, revenue rose 12% on double-digit increases in all Sectors. While revenue development in China followed the pattern for the region overall, growth of 25% in India was driven by substantially higher revenue in Energy.

Consolidated Statements of Income

	Year ended September 30, 2011	2010	% Change
	(in millions of)		
Gross profit	22,127	20,001	11%
as percentage of revenue	*30.1%*	*29.0%*	

Gross profit for fiscal 2011 rose 11% year-over-year for Siemens, driven by a strong double-digit increase in the Industry Sector. All Industry Divisions reported higher gross profits compared to fiscal 2010, with particularly strong increases at Industry Automation and Drive Technologies due to high capacity utilization. For comparison, Industry s gross profit in fiscal 2010 was held back by 205 million in charges at Industry Solutions related to a project engagement with a local partner in the U.S. Gross profit rose 8% in Energy compared to the prior fiscal year, driven by a strong operating performance at Fossil Power Generation. The Division combined excellent project execution with a more favorable business mix year-over-year. In contrast, gross profit declined at Power Transmission, due in part to a negative swing in effects related to commodity hedging. Lower gross profit in Healthcare was driven by negative impacts related to the particle therapy business, primarily including third-quarter charges of 381 million related to the reevaluation of the commercial feasibility of particle therapy. Before the reevaluation, the Sector took 32 million in charges related to particle therapy contracts in the first quarter of fiscal 2011. For comparison, charges related to the particle therapy business in fiscal 2010 amounted to 96 million. In fiscal 2010, gross profit in all three Sectors benefited from their respective portions of gains related to curtailment of pension plans in the U.S. In addition, gross profit in fiscal 2010 included 169 million of the expenses related to the special remuneration for non-management employees mentioned earlier. In combination, these factors resulted in a gross profit margin of 30.1% for Siemens overall, up from 29.0% in the prior year.

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	Year ended September 30,		
	2011	2010	% Change
	(in millions of)		
Research and development expenses	(3,925)	(3,558)	10%
as percentage of revenue	*5.3%*	*5.2%*	
Marketing, selling and general administrative expenses	(10,297)	(9,666)	7%
as percentage of revenue	*14.0%*	*14.0%*	
Other operating income	555	839	(34)%
Other operating expense	(502)	(1,554)	(68)%
Income (loss) from investments accounted for using the equity method, net	147	9	>200%
Interest income	2,207	2,045	8%
Interest expense	(1,716)	(1,759)	(2)%
Other financial income (expense), net	646	(383)	n/a

Research and development (R&D) expenses increased to 3.925 billion or 5.3% of revenue in fiscal 2011, from 3.558 billion or 5.2% of revenue in the prior year, as a result of higher expenses in all Sectors. **Marketing, selling and general administrative (SG&A) expenses** rose to 10.297 billion, due primarily to higher expenses in Industry and Energy associated with business growth. SG&A expenses as a percentage of revenue remained at the prior-year level of 14.0%.

Other operating income was 555 million in fiscal 2011, compared to 839 million in fiscal 2010. The current year includes 64 million related to a settlement of legal matters in connection with portfolio activities. For comparison, the prior year benefited from gains in connection with compliance-related matters, including a gain of 84 million related to an agreement with the provider of the Siemens directors and officers liability insurance, a net gain related to settlements with former members of Siemens Managing Board and Supervisory Board, and total gains of 40 million related to the recovery of funds frozen by authorities. In addition, fiscal 2010 included a gain of 47 million related to the sale of our airfield lighting business at Mobility, a gain of 35 million from the sales of our Roke Manor activities in the U.K. that were reported within Corporate items, and higher gains related to the disposal of real estate. Further, Siemens ceased to consolidate a subsidiary in the third quarter of fiscal 2010 due to a loss of control and recorded a related gain of 40 million. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Other operating expense was 502 million, compared to 1.554 billion in the prior year. The difference was due primarily to impairment charges at the Diagnostics Division in the fourth quarter of fiscal 2010, including 1.145 billion for goodwill and 39 million for real estate. In addition, the prior year included 106 million provided for in connection with an expected loss from the sale of our electronics assembly systems business to ASM Pacific Technology. The transaction was announced in the fourth quarter of fiscal 2010 and closed in the second quarter of fiscal 2011. Fiscal 2011 included goodwill impairment charges of 128 million related to our solar business as well as higher charges year-over-year related to legal and regulatory matters. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Income from investments accounted for using the equity method, net was 147 million in fiscal 2011, up from 9 million in the prior fiscal year. In the current year, the equity investment loss related to NSN decreased to 280 million, down from a loss of 533 million a year earlier. In contrast, equity investment income related to our stakes in Enterprise Networks Holdings B.V. (EN), BSH Bosch und Siemens Hausgeräte GmbH (BSH) and Krauss-Maffei Wegmann & Co. KG (KMW) declined to a total of 145 million in fiscal 2011 from a total of 282 million in fiscal 2010. In addition, the current year included a gain of 90 million on the sale of our 49% interest in KMW to the Wegmann Group and impairment charges of 43 million related to an equity interest held in our concentrated solar power business. For comparison, fiscal 2010 included a gain of 47 million from the sale of a stake in an investment at SFS. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Interest income increased to 2.207 billion in fiscal 2011, from 2.045 billion a year earlier. The increase was due in part to a higher expected return on plan assets related to pension plans, resulting primarily from an increase in pension plan assets. The increase in interest income also included higher interest income related to an increase in average total liquidity compared to the prior year. **Interest expense** declined to 1.716 billion from

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1.759 billion in the prior year, driven by lower interest costs related to pension plans due to a decrease in discount rates. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Other financial income (expense), net was a positive 646 million in fiscal 2011, compared to a negative 383 million a year earlier. The change was due primarily to a pretax 1.520 billion gain from the divestment of Siemens 34% share in Areva NP S.A.S. to Areva S.A. in the second quarter of fiscal 2011, partly offset by the third-quarter pretax loss of 682 million related to the arbitration decision in connection with Siemens exit from this joint venture. Changes in the fair market value of interest rate and foreign currency derivatives not qualifying for hedge accounting also contributed to the increase year-over-year. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

	Year ended September 30,		
	2011	**2010**	**% Change**
	(in millions of)		
Income from continuing operations before income taxes	9,242	5,974	55%
Income taxes	(2,231)	(1,712)	30%
as percentage of income from continuing operations before income taxes	*24%*	*29%*	
Income from continuing operations	7,011	4,262	65%
Loss from discontinued operations, net of income taxes	(690)	(194)	>200%
Net income	6,321	4,068	55%
Net income attributable to non-controlling interests	176	169	
Net income attributable to shareholders of Siemens AG	6,145	3,899	58%

Income from continuing operations before income taxes increased to 9.242 billion in fiscal 2011, compared to 5.974 billion in fiscal 2010. The change is due to the factors mentioned above, including the strong double-digit gross profit increase in the Industry Sector. In addition, the amount for fiscal 2011 benefited from the net effect from the disposal gain and the arbitration decision in connection with Siemens exit from Areva, while in the prior year income was negatively impacted by impairment charges at the Diagnostics Division. These effects were partly offset by higher SG&A and R&D expenses year-over-year associated with business expansion. The effective tax rate was 24% in fiscal 2011 and benefited from the income tax treatment of the Areva disposal gain, which was mainly tax-free. For comparison, the effective tax rate of 29% in the prior year was adversely affected by the goodwill impairment charges at the Diagnostics Division, the majority of which was not deductible for tax purposes. This effect was more than offset in fiscal 2010 by the release of tax provisions after the conclusion of tax audits, and the release of tax liabilities after the positive decision on appeal related to non-deductible expenses in connection with certain foreign dividends. As a result, Income from continuing operations was 7.011 billion in fiscal 2011, up from 4.262 billion in the prior year.

Discontinued operations primarily include Siemens IT Solutions and Services, which was sold to AtoS in the fourth quarter of fiscal 2011, and OSRAM which Siemens plans to list publicly. In addition, discontinued operations include former Com activities, comprising telecommunications carrier activities transferred to NSN in the third quarter of fiscal 2007; the enterprise networks business, 51% of which was divested during the fourth quarter of fiscal 2008; and the mobile devices business sold to BenQ Corporation in fiscal 2005 as well as the former Siemens VDO Automotive activities, which were sold to Continental AG in the first quarter of fiscal

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2008. The loss from discontinued operations, net of income taxes, in fiscal 2011 was 690 million, compared to a loss of 194 million a year earlier. The change year-over-year related mainly to a loss of 826 million after tax in the current period attributable to Siemens IT Solutions and Services. This loss included pretax charges of 659 million for impairments of long-lived assets, including 136 million for goodwill; 250 million in pretax charges in connection with the integration and training program related to the transfer of the business to AtoS; as well as pretax charges of 168 million related to establishing Siemens IT Solutions and Services as a separate legal group, including 90 million for carve-out activities and 78 million related to personnel-related matters. For comparison, the result associated with Siemens IT Solutions and Services in fiscal 2010 was a loss of 468 million after tax, including pretax charges of 385 million related to the completion of staff reduction measures related to the strategic reorientation of Siemens IT Solutions and Services aimed at strengthening the competitive position of the business. OSRAM contributed a positive 309 million after tax to income from discontinued operations in fiscal 2011, nearly unchanged from a positive 318 million after tax a year earlier. OSRAM reported a 8% revenue increase compared to the previous fiscal year. Growth was driven by demand for specialty lighting products as well as by increased LED business. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Net income for Siemens in fiscal 2011 increased to 6.321 billion, compared to 4.068 billion a year earlier. Net income attributable to shareholders of Siemens AG was 6.145 billion, up from 3.899 billion in fiscal 2010.

Segment information analysis

Divisions within a Sector may do business with each other, leading to corresponding new orders and revenue. Those revenues and orders are only eliminated on a Sector level. Furthermore, our reportable segments may do business with each other, leading to corresponding new order and revenue. Those orders and revenues are eliminated on the Siemens level within Eliminations, Corporate Treasury and other reconciling items and are not included in new orders and revenue with external customers (external orders and external revenue, respectively) reported elsewhere in this document.

Sectors

Industry

	Year ended September 30,		% Change		therein	
	2011	2010	Actual	Adjusted(1)	Currency	Portfolio
	(in millions of)					
Sector						
Profit	3,618	2,658	36%			
Profit margin	11.0%	8.8%				
New orders	37,594	30,243	24%	24%	0%	0%
Total revenue	32,941	30,203	9%	9%	0%	0%
External revenue	31,635	29,093	9%			
therein:						
Europe, C.I.S.(2), Africa, Middle East	*17,262*	*16,251*	*6%*			
therein Germany	*6,857*	*6,103*	*12%*			
Americas	*7,234*	*6,551*	*10%*			
Asia, Australia	*7,139*	*6,291*	*13%*			

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

In fiscal 2011, profit, revenue and orders all rose for **Industry** as well as most of its Divisions compared to fiscal 2010. Profit climbed to 3.618 billion, up from 2.658 billion a year earlier on improvements in all Divisions except of Mobility. With high double-digit growth rates, Industry Automation and Drive Technologies were the main growth drivers and made the largest contribution to profit. In an improved business environment year-over-year, the Sector enhanced its regional footprint by increasing spending for sales resources. Profit in the current period was burdened by Industry s 128 million share of the special employee remuneration allocation

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mentioned earlier. For comparison, profit in fiscal 2010 was held back by 205 million in charges related to cost estimates for a project engagement with a local partner in the U.S., 185 million in charges for staff reduction measures, and a provision for a supplier-related warranty. These factors were partly offset by 53 million in gains related to curtailment of pension plans in the U.S., which benefited results at all Divisions, and a 47 million net gain at Mobility on the sale of its airfield lighting business.

Revenue in Industry in fiscal 2011 grew by 9% year-over-year and orders rose 24%, driven by double-digit increases at Industry Automation and Drive Technologies. Both Divisions saw volume return to the high levels they had achieved before the global economic downturn reduced customer capital expenditures in Industry s short-cycle businesses. Orders also climbed on a 74% rise at Mobility which recorded a significantly higher volume from large orders year-over-year. This included Siemens largest-ever train order in Germany, worth 3.7 billion, and a major order for high-speed trains in the U.K. On a regional basis, revenue and orders increased in all three reporting regions year-over-year. While the highest growth rates in revenue were achieved in the region Asia, Australia, order growth was strongest in the region Europe, C.I.S., Africa, Middle East, including the large train orders just mentioned. On a book-to-bill ratio of 1.14, Industry s order backlog rose to 32 billion at the end of fiscal 2011, up from 28 billion a year earlier. Based on the organizational structure as of September 30, 2011, out of the current backlog, orders of 15 billion are expected to be converted into revenue during fiscal 2012, orders of 8 billion during fiscal 2013, and the remainder in the periods thereafter.

	New orders					
	Year ended September 30,		% Change		therein	
	2011	2010	Actual	Adjusted(1)	Currency	Portfolio
	(in millions of)					
Divisions						
Industry Automation	7,490	6,421	17%	15%	0%	1%
Drive Technologies	9,065	6,981	30%	29%	1%	0%
Building Technologies	7,662	7,132	7%	8%	0%	0%
Industry Solutions	6,150	6,203	(1)%	2%	(1)%	(2)%
Mobility	10,224	5,885	74%	72%	1%	1%

(1) Excluding currency translation and portfolio effects.

	Revenue					
	Year ended September 30,		% Change		therein	
	2011	2010	Actual	Adjusted(1)	Currency	Portfolio
	(in millions of)					
Divisions						
Industry Automation	7,461	6,226	20%	18%	0%	2%
Drive Technologies	8,224	6,960	18%	18%	0%	0%
Building Technologies	7,441	6,903	8%	8%	0%	0%
Industry Solutions	6,024	6,040	0%	3%	(1)%	(3)%
Mobility	6,328	6,508	(3)%	(4)%	0%	0%

(1) Excluding currency translation and portfolio effects.

	Profit			Profit margin	
	Year ended September 30,			Year ended September 30,	
	2011	2010	% Change	2011	2010
	(in millions of)				
Divisions					
Industry Automation	1,415	1,004	41%	19.0%	16.1%

Drive Technologies	1,087	803	35%	13.2%	11.5%
Building Technologies	409	401	2%	5.5%	5.8%
Industry Solutions	276	(10)	n/a	4.6%	(0.2)%
Mobility	429	463	(7)%	6.8%	7.1%

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Industry Automation increased its profit 41% year-over-year to 1.415 billion in fiscal 2011, on higher capacity utilization and a more favorable business mix. For comparison, profit of 1.004 billion in the prior fiscal year included 25 million in charges for staff reduction measures, largely offset by a gain of 19 million from the sale of a business. Both fiscal years under review included purchase price allocation (PPA) effects from the acquisition of UGS Corp., acquired in fiscal 2007. PPA effects were 137 million in fiscal 2011 and 142 million a year earlier. With all of its businesses contributing, Industry Automation achieved double-digit growth in both revenue and orders year-over-year as well as increases in all three reporting regions. Within these figures, the highest growth rates came from the Asia, Australia region.

Drive Technologies improved its profit year-over-year to 1.087 billion in fiscal 2011, as a quarter-by-quarter increase in revenue throughout the fiscal year raised the Division s capacity utilization. For comparison, profit of 803 million in fiscal 2010 included charges for staff reduction measures of 37 million. The Division increased revenue by 18% and order intake by 30% compared to the prior year. While revenue growth was driven mainly by Drive Technologies short-cycle businesses, order growth also included strong contributions from its longer-cycle businesses. On a regional basis, the Division achieved double-digit volume growth in all three reporting regions. Revenue growth was led by the Europe, C.I.S., Africa, Middle East region and the strongest growth in orders came from the Americas region.

Profit at **Building Technologies** came in at 409 million in fiscal 2011, up slightly from the level a year earlier. Profit in the current fiscal year included higher marketing and selling expenses associated with growth. For comparison, profit of 401 million a year earlier was burdened by charges of 24 million for staff reduction measures. Profit in fiscal 2010 also included the provision for a supplier-related warranty mentioned above that was largely offset by the Division s portion of the pension curtailment gain, also mentioned above. New orders increased 7% compared to the prior fiscal year and revenue was up 8% year-over year on improvements in all of the Division s businesses, particularly including strong demand in the low voltage business and for energy efficiency solutions. On a regional basis, volume growth in all three reporting regions included double-digit growth rates in the Asia, Australia region.

Profit at **Industry Solutions** swung from a negative 10 million in the prior fiscal year to a positive 276 million in fiscal 2011. Profit in the both years included a solid performance in the metals technologies business. A year earlier, profit for the Division was burdened by 205 million in charges related to the project engagement with a local partner in the U.S. mentioned above as well as charges totaling 101 million for staff reduction measures. Both revenue and orders remained near the prior-year level. On a regional basis, higher revenue in the regions Americas and Asia, Australia largely offset a decline in revenue in the Europe, C.I.S., Africa, Middle East region, while lower orders in the Americas were partly offset by a slightly increase in Asia, Australia region.

Mobility contributed 429 million in profit in fiscal 2011. For comparison, profit of 463 million in the prior year benefited from the 47 million gain from the sale of the Division s airfield lighting business and the Division s portion of the pension curtailment gain, both mentioned above. Revenue for the Division came in 3% lower year-over-year, as higher revenue in Asia, Australia was more than offset by a decline in revenue in Europe, C.I.S., Africa, Middle East. In contrast, new orders rose sharply compared to the prior year on substantially higher volume from major orders, including the two major train orders mentioned above. Under the terms of the contract for the 3.7 billion order for trains in Germany, revenue recognition will extend for a number of years ahead.

Energy

	Year ended September 30, 2011	2010	% Change Actual	Adjusted[1]	therein Currency	Portfolio
	(in millions of)					
Sector						
Profit	4,141	3,361	23%			
Profit margin	15.0%	13.2%				
New orders	34,765	30,122	15%	15%	0%	0%
Total revenue	27,607	25,520	8%	9%	(1)%	0%
External revenue	27,285	25,205	8%			
therein:						
Europe, C.I.S.[2], Africa, Middle East	*15,368*	*14,800*	*4%*			
therein Germany	*2,041*	*2,118*	*(4)%*			
Americas	*7,545*	*6,558*	*15%*			
Asia, Australia	*4,371*	*3,847*	*14%*			

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

The **Energy** Sector delivered another strong operating performance in fiscal 2011, including excellent project execution at Fossil Power Generation. Profit for the Sector rose to 4.141 billion, notwithstanding significant increases in spending for R&D, marketing and selling associated with new technologies and expansion of the Sector s global footprint, particularly at Renewable Energy and Power Distribution. Profit for the year was positively influenced by the net effect related to Areva, including the 1.520 billion disposal gain and the negative 682 million impact related to the arbitration decision mentioned earlier. In contrast, profit was held back by impairment charges totaling 231 million at the Sector s solar business in the fourth quarter, and by Energy s 69 million share of the special employee remuneration allocation mentioned earlier.

Revenue in the Energy Sector rose 8% year-over-year, to 27.607 billion in fiscal 2011, on increases in all Divisions and conversion of the Sector s strong order backlog. On a geographic basis, revenue rose in all regions, with double-digit increases in the regions Americas and Asia, Australia. The Sector s order intake rose 15% compared to fiscal 2010 on broad-based growth in all Divisions. Fossil Power Generation contributed the largest increase, driven by a higher volume from major orders. On a geographic basis, strong growth in emerging markets was the primary driver for higher orders in all regions. On a book-to-bill ratio of 1.26, the Sector s order backlog rose to 58 billion at the end of fiscal 2011, up from 53 billion a year earlier. Based on the organizational structure as of September 30, 2011, out of the current backlog, orders of 22 billion are expected to be converted into revenue during fiscal 2012, orders of 14 billion during 2013, and the remainder in the periods thereafter.

	New Orders					
	Year ended September 30, 2011	2010	% Change Actual	Adjusted[1]	therein Currency	Portfolio
	(in millions of)					
Divisions						
Fossil Power Generation	12,487	9,920	26%	26%	(1)%	0%
Renewable Energy	6,884	5,929	16%	17%	(1)%	0%
Oil & Gas	5,551	4,943	12%	10%	2%	1%
Power Transmission	7,271	6,770	7%	8%	0%	0%
Power Distribution	3,397	3,231	5%	5%	(1)%	0%

(1) Excluding currency translation and portfolio effects.

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	Revenue					
	Year ended September 30,		% Change		therein	
	2011	2010	Actual	Adjusted(1)	Currency	Portfolio
	(in millions of)					
Divisions						
Fossil Power Generation	10,203	9,550	7%	8%	(1)%	0%
Renewable Energy	3,932	3,272	20%	24%	(4)%	0%
Oil & Gas	4,719	4,156	14%	12%	1%	1%
Power Transmission	6,334	6,143	3%	4%	0%	0%
Power Distribution	3,175	3,039	4%	4%	0%	0%

(1) Excluding currency translation and portfolio effects.

	Profit			Profit margin	
	Year ended September 30,			Year ended September 30,	
	2011	2010	% Change	2011	2010
	(in millions of)				
Divisions					
Fossil Power Generation	2,833	1,445	96%	27.8%	15.1%
Renewable Energy	(2)	343	n/a	0.0%	10.5%
Oil & Gas	467	455	3%	9.9%	10.9%
Power Transmission	562	715	(21)%	8.9%	11.6%
Power Distribution	286	398	(28)%	9.0%	13.1%

In fiscal 2011, **Fossil Power Generation** recorded profit of 2.833 billion, representing a substantial increase compared to the prior year. The Division maintained its strong performance in project execution throughout the fiscal year, and also benefited from a more favorable business mix year-over-year, including conversion of high-margin component orders and a strong contribution from the service business. Reported profit also benefited from the net effect related to Areva mentioned above for the Sector, partly offset by project charges of 87 million in the second quarter of fiscal 2011 related to the Olkiluoto project in Finland. A year earlier, profit for the Division was held back by charges of 57 million for capacity adjustments related to a shift of production capacity within the Americas region. Orders for fiscal 2011 climbed 26% from a relatively low basis of comparison in the prior year, driven by strong demand in emerging markets and a substantially higher volume from major orders. Revenue rose 7% year-over-year, including a double-digit increase in the Americas region.

Revenue at **Renewable Energy** increased significantly by 20% in fiscal 2011, as the Division continued to convert orders from its large order backlog. New orders were 16% higher than in the prior year, driven by strong growth in the Europe, C.I.S., Africa, Middle East region. The Division continued to take in large wind-farm orders from Europe and the U.S. and also won its first order from China the world s largest national wind-farm market. Renewable Energy s wind power business delivered a solid operating performance in fiscal 2011 while increasing its spending for R&D, marketing and selling associated with growth. The wind power business also saw continuing pricing pressure as the market matures and grows more competitive, most notably for onshore projects. Profit development for the Division was held back by negative impacts in its solar business, including continued operating losses throughout fiscal 2011. In the fourth quarter, Siemens completed an assessment of the growth prospects and long-term market development for the concentrated solar power business. Following completion of the impairment test, the solar business took impairment charges totaling 231 million, including 128 million for goodwill. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements. In total, these factors led to a loss of 2 million for Renewable Energy in the current fiscal year, compared to a profit of 343 million a year earlier.

Profit at **Oil & Gas** rose 3% in fiscal 2011, to 467 million, including a strong performance in its turbines business. The Division s 14% increase in revenue year-over-year was driven by strong growth in emerging markets, particularly in China and India, where revenue more than doubled. Orders at Oil & Gas climbed 12% compared to the prior year on broad-based growth across its businesses.

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Profit at **Power Transmission** was 562 million in fiscal 2011, down from 715 million a year earlier. Profit in fiscal 2011 was held back by the conversion of lower-margin contracts from the backlog due to ongoing pricing pressure. This effect was strongest in the transformers and high-voltage substation businesses, which have attracted new market entrants based in lower-cost countries. In addition, the current year included charges totaling 57 million, including for staff reduction measures, related to optimizing the Division s global manufacturing footprint. Further, profit development year-over-year was impacted by negative effects related to commodity hedging. Orders at Power Transmission rose 7% year-over-year, led by strong demand at the Division s solutions business. Revenue came in 3% higher compared to the prior fiscal year, led by growth in the Europe, C.I.S., Africa, Middle East region.

Power Distribution contributed 286 million in profit in fiscal 2011, down substantially from the prior fiscal year. Profit in the current period was held back by higher expenses year-over-year for R&D, marketing and selling associated with business expansion and new technologies such as smart grids. Order intake and revenue at Power Distribution rose 5% and 4%, respectively, on growth in the regions Americas and Asia, Australia.

Healthcare

	Year ended September 30,		% Change		therein	
	2011	2010	Actual	Adjusted(1)	Currency	Portfolio
	(in millions of)					
Sector						
Profit	1,334	653	104%			
Profit margin	10.7%	5.3%				
New orders	13,116	12,872	2%	2%	0%	0%
Total revenue	12,517	12,364	1%	2%	0%	0%
External revenue	12,463	12,281	1%			
therein:						
Europe, C.I.S.(2), Africa, Middle East	*4,489*	*4,681*	*(4)%*			
therein Germany	*992*	*1,056*	*(6)%*			
Americas	*5,233*	*5,142*	*2%*			
Asia, Australia	*2,741*	*2,459*	*11%*			

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

With effect from October 1, 2010, the **Healthcare** Sector implemented a new organizational structure. The new alignment achieves greater integration of the Sectors businesses, and also unifies sales and service in one Sector-wide organization. The audiology business unit is now managed as a Sector-led Business Unit. Following the new structure, financial results are reported externally for the Sector and for the Diagnostics Division. Prior-year information is presented on a comparable basis.

The healthcare market environment included continuing pressure on public health budgets in developed countries while healthcare spending increased in emerging market countries, particularly including China. The Healthcare Sector posted a profit of 1.334 billion for fiscal 2011, including negative impacts related to particle therapy business. The primary impact stemmed from a reevaluation of the commercial feasibility of particle therapy for general patient treatment, after which the Sector decided to shift the focus of certain particle therapy projects primarily to research. In the third quarter, charges totaling 381 million were recognized related to this reevaluation. In accordance with project accounting rules, Healthcare reduced revenue in the imaging and therapy systems businesses by an amount of revenue recognized from the projects in prior periods. The negative impact on profit related to this revenue effect was approximately 100 million within the total impact for the reevaluation mentioned above. In the first quarter, before the reevaluation, the Sector took 32 million in charges stemming from increased costs estimates for completing particle therapy contracts. Profit in fiscal 2011 was also held back by the Sector s 43 million share of the special employee remuneration allocation mentioned earlier and a loss of 32 million on the sale of a healthcare IT business in France. For comparison, the Sector s profit of

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653 million a year ago included charges for impairments totaling 1.204 billion at Diagnostics and 96 million in charges related to the particle therapy business. Profit in the prior year benefited from 79 million of the pension curtailment gain discussed earlier and a gain of 40 million related to the Sector ceasing consolidation of a former subsidiary due to loss of control. The Sector expects burdens on profit in coming quarters from measures aimed at improving its competitive position.

Profit at **Diagnostics** in fiscal 2011 was 300 million, held back by increased pricing pressure in a competitive market environment, a less favorable business mix from a higher proportion of lower-margin product lines and higher service costs compared to the prior year. Operational challenges are expected to continue in coming quarters. The profit was also burdened by an increase in valuation allowances for receivables triggered by a debt rating downgrade related to Greece. A year earlier, Diagnostics posted a loss of 804 million due to the impairment charges mentioned above, and benefited from 22 million of the pension curtailment gain mentioned above for the Sector. PPA effects related to past acquisitions were 169 million in fiscal 2011 and 178 million in fiscal 2010.

Orders for **Healthcare** increased 2% in fiscal 2011 compared to the prior year. Revenue rose 1% year-over-year, including the revenue reduction related to particle therapy projects mentioned above. The imaging and therapy systems businesses delivered solid growth in both revenue and orders. On an organic basis, Sector volume growth was 2% for both orders and revenue. On a geographic basis, double-digit order growth in the Asia, Australia region more than offset declines in the regions Europe, C.I.S., Africa, Middle East and Americas. The Sector recorded higher revenue in the regions Asia, Australia and Americas offsetting a decline in the Europe, C.I.S., Africa, Middle East region. Emerging markets on a global basis showed positive growth for both revenue and orders including strong double-digit increases in China. Healthcare s book-to-bill ratio was 1.05 and its order backlog stood at 7 billion at the end of the year. Of the Sector s current backlog, orders of 3 billion are expected to be converted into revenue during fiscal 2012, orders of 1 billion during fiscal 2013, and the remainder in the periods thereafter.

In fiscal 2011, **Diagnostics** recorded revenue of 3.667 billion, unchanged from the prior year, and orders of 3.678 billion, up slightly from 3.664 billion a year ago. Both orders and revenue showed double-digit growth in the Asia, Australia region, and declines in the regions Americas and Europe, C.I.S., Africa, Middle East. On an organic basis, revenue was level with the prior year and orders rose 1%.

Equity Investments

In fiscal 2011, **Equity Investments** reduced its loss to 26 million from a loss of 191 million in fiscal 2010. The improvement was due mainly to a lower equity investment loss related to our share in NSN, which declined to 280 million from 533 million in the prior fiscal year. NSN reported to Siemens that it took restructuring charges and integration costs totaling 151 million in fiscal 2011 compared to 378 million a year earlier. Profit in fiscal 2011 also benefited from a gain of 90 million on the sale of Siemens 49% stake in KMW. These positive factors were partly offset by results related to other equity investments. Our shares in BSH and KMW, which was sold during the first quarter of the current fiscal year, together generated equity investment income for Siemens totaling 191 million in fiscal 2011, down from 277 million in fiscal 2010. The equity investment result related to our share in EN was a loss of 46 million in fiscal 2011, compared to income of 5 million a year earlier.

In the first quarter of fiscal 2011, Nokia Corporation (Nokia) and Siemens each converted 266 million, consisting of a shareholder loan to NSN and deferred interest into preferred shares. In the fourth quarter of fiscal 2011, in order to strengthen NSN s financial position, Nokia and Siemens each provided new equity of 500 million and received preferred shares in return. The increase in equity did not change the existing shareholding ratio between Nokia and Siemens. We expect continued volatility in Equity Investments results in coming quarters including material impacts related to repositioning activities at NSN. For further information see, Item 5: Operating and financial review and prospects Subsequent events.

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Financial Services (SFS)

	Year ended September 30,		
	2011	2010	% Change
	(in millions of)		
Income before income taxes	428	443	(3)%
Total assets	14,602	12,506	17%

In fiscal 2011, SFS generated 428 million in profit (defined as income before income taxes). Profit of 443 million in fiscal 2010 benefited from positive net effects related to various investments, including a gain of 47 million on the sale of an investment, while the current fiscal year was burdened by an impairment on an equity stake in a power plant project in the U.S. due to unexpectedly adverse market conditions. An adverse change related to investments was partly offset primarily by higher results in the commercial finance business. In the fourth quarter of fiscal 2011, SFS announced a growth strategy which includes even stronger support for the operating businesses of Siemens, leading to higher net cash outflows at the end of the quarter primarily relating to growth in the commercial finance business. These higher net cash outflows led to an increase in Total assets to 14.602 billion.

The following table provides further information on the capital structure of SFS as of September 30, 2011 and 2010:

	September 30,	
	2011	2010
	(in millions of)	
Allocated equity	1,593	1,458
Total debt	12,075	10,028
therein intragroup financing	*12,066*	*10,004*
therein debt from external sources	*9*	*24*
Debt to equity ratio	7.58	6.88
Cash and cash equivalents	178	90

Both Moody s and Standard & Poor s view SFS as a captive finance company. These rating 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 mainly determined and influenced by the size and quality of its portfolio of commercial finance assets (primarily leases and loans) and equity investments. This allocation is designed to cover the risks of the underlying business and is in line with common credit risk management standards. The actual risk of the SFS portfolio is evaluated and controlled on a regular basis. The allocated equity is calculated quarterly.

Reconciliation to Consolidated Financial Statements

Reconciliation to Consolidated Financial Statements includes Centrally managed portfolio activities, Siemens Real Estate (SRE) and various categories of items which are not allocated to the Sectors and to SFS because management has determined that such items are not indicative of the Sectors and SFS respective performance.

Centrally managed portfolio activities

For fiscal 2011, the result of Centrally managed portfolio activities was a loss of 40 million compared to a loss of 169 million a year earlier. The improvement is due primarily to the electronics assembly systems business which recorded a profit of 10 million in fiscal 2011. For comparison, the result related to this business in fiscal 2010 was a loss of 141 million, including 106 million provided for in connection with an expected loss from the sale to ASM Pacific Technology. The transaction was announced in the fourth quarter of fiscal 2010 and closed in the second quarter of fiscal 2011. In addition, both periods under review included losses related to the remaining former business activities of Siemens IT Solutions and Services that were not classified as discontinued operations and were therefore retroactively reclassified as Centrally managed portfolio activities. These losses were lower in the current year.

Siemens Real Estate (SRE)

In 2009, we initiated a multi-year program to improve the efficiency of our real estate management. Under the program, Siemens bundled its real estate portfolio into SRE and is implementing measures to increase the efficiency of these assets. The program was expected to generate approximately 250 million in annual cost savings primarily for the Siemens Sectors by the end of fiscal 2011, mainly through the more efficient utilization of space and a reduction in vacant property. At the end of the current fiscal year, we have completed the bundling of our real estate assets into SRE and have achieved the target of 250 million in annual cost savings compared to the cost position prior to the start of the program.

Income before income taxes at SRE was 150 million in fiscal 2011, down from 250 million a year earlier, due in part to lower gains related to the disposal of real estate in the current period. Costs associated with the real estate bundling program came in lower year-over-year, at 50 million, compared to 75 million in fiscal 2010. Assets with a book value of 489 million were transferred to SRE during fiscal 2011 as part of the real estate bundling program. SRE expects to continue with real estate disposals depending on market conditions.

Corporate items and pensions

In fiscal 2011, Corporate items and pensions posted a loss of 273 million, compared to a loss of 702 million a year earlier. Within this change, Centrally carried pension expense improved to a positive 75 million in the current year, from a negative 167 million in the prior year, due primarily to lower interest costs and a higher expected return on plan assets.

Corporate items recorded a loss of 348 million in fiscal 2011, compared to a loss of 535 million in fiscal 2010. The improvement year-over-year benefited from management s allocation of a substantial part of the 267 million in special employee remuneration that was accrued within Corporate items in the fourth quarter of fiscal 2010. Within this part is the 240 million that was debited to the Sectors for management reporting purposes; charges were made to Industry of 128 million, to Energy of 69 million and to Healthcare of 43 million. In contrast, fiscal 2011 included higher net charges related to legal and regulatory matters and provisions of 99 million relating to regional risks. In addition, the current period includes an amount of 53 million related to reimbursements to AtoS, which will continue in coming quarters during the post-closing transition phase as AtoS becomes Siemens external IT service provider.

For comparison, the prior fiscal year benefited from gains in connection with compliance-related matters, including a gain of 84 million related to an agreement with the provider of Siemens directors and officers liability insurance, a net gain related to settlements with former members of Siemens Managing Board and Supervisory Board, and total gains of 40 million related to the recovery of funds frozen by authorities. Further, fiscal 2010 included a gain of 35 million from the sale of our Roke Manor activities in the U.K.

Eliminations, Corporate Treasury and other reconciling items

In fiscal 2011, income before income taxes from Eliminations, Corporate Treasury and other reconciling items was a negative 90 million compared to a negative 331 million a year earlier. The main factor of the improvement was Corporate Treasury activities, primarily due to changes in the fair market value of interest rate and foreign currency derivatives not qualifying for hedge accounting. The current fiscal year also benefited from an improved interest result as well as positive effects related to the reclassification of fund shares in connection with the divestment of an asset management company at SFS.

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FISCAL 2010 COMPARED TO FISCAL 2009

RESULTS OF SIEMENS

The following discussion presents selected information for Siemens for the fiscal year ended September 30, 2010:

Orders and revenue

In fiscal 2010, revenue declined 2% year-over-year, to 68.978 billion, while orders rose 2% compared to the prior-year period, to 74.055 billion. This resulted in a book-to-bill ratio of 1.07. On an organic basis, excluding the net effect of currency translation and portfolio transactions, revenue decreased 3%, while orders came in level with the prior-year period. Within the full-year trend, the development of orders and revenue was strongly influenced by the recovery in the global economy. While order intake fell 16% year-over-year for the first six months, we reported order growth of 25% for the second half of fiscal 2010 compared to the prior-year period. Revenue development followed a similar pattern through the year, though with less pronounced fluctuations due to the stabilizing effect of our strong order backlog. The order backlog was 87 billion as of September 30, 2010, up from 81 billion a year earlier, including positive currency translation effects.

	New orders (location of customer)					
	Year ended September 30,		% Change vs. previous year		therein	
	2010	2009	Actual	Adjusted(1)	Currency	Portfolio
	(in millions of)					
Europe, C.I.S.(2), Africa, Middle East	39,513	41,971	(6)%	(6)%	1%	(1)%
therein Germany	*10,690*	*11,088*	*(4)%*	*(3)%*	*0%*	*0%*
Americas	21,441	18,030	19%	16%	4%	0%
therein U.S.	*15,179*	*13,239*	*15%*	*13%*	*2%*	*0%*
Asia, Australia	13,102	12,532	5%	0%	5%	0%
therein China	*5,281*	*5,312*	*(1)%*	*(2)%*	*1%*	*0%*
therein India	*2,286*	*2,248*	*2%*	*(2)%*	*4%*	*0%*
Siemens	**74,055**	**72,532**	**2%**	**0%**	**2%**	**(1)%**

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

Orders related to external customers increased 2% in fiscal 2010 on higher demand in Industry and Healthcare, and including positive currency translation effects in all Sectors. The Industry Sector our largest Sector by revenue saw orders rise 3% on growth in four of its five Divisions, led by a double-digit increase at Industry Automation. Orders at Mobility came in lower year-over-year, due primarily to a lower volume from major orders. Order intake in the Energy Sector came in level with the prior-year period, as lower orders at Fossil Power Generation were offset by growth in the other Divisions of the Sector, led by higher demand at Renewable Energy. The order decline at Fossil Power Generation was due primarily to a lower volume from major orders in the first three quarters of fiscal 2010, a trend which reversed in the fourth quarter. Orders for Healthcare increased on broad-based growth across its businesses.

On a geographic basis, orders rose by double digits in the Americas and also rose in Asia, Australia, more than offsetting an order decline in Europe, C.I.S., Africa, Middle East. Order development in emerging markets was consistent with the overall order trend in each of our three reporting regions. In **Europe, C.I.S., Africa, Middle East** our largest reporting region by revenue orders fell 6%, largely due to a decline in the Energy Sector, where orders were 11% lower year-over-year. This was largely the result of a lower volume from major orders at Fossil Power Generation. Healthcare orders remained stable in the region and Industry orders came in 1% above the prior-year period, as growth at Drive Technologies and Industry Automation offset lower demand at other Divisions, including a lower volume from major orders at Mobility. Large prior-year contract wins at Mobility were the primary factor in a 4% order decline for Siemens in Germany. In the **Americas**, orders rose 19% on double-digit growth in all Sectors. The largest increase was a 28% rise in the Energy Sector, driven by a

number of large onshore wind-farm orders at Renewable Energy. Industry orders rose 16% in the region, with contributions from all Divisions. Healthcare reported a 11% order increase in the Americas, due to broad-based growth across most of its businesses. Within the region, order growth in the U.S. included a higher volume from major orders in all Sectors. In **Asia, Australia**, order intake benefited from positive currency translation effects and came in 5% higher year-over-year, despite significantly lower volume from major orders. Order intake in the region rose by double digits in the Healthcare Sector and to a lesser extent in Energy while orders for Industry declined. The lower volume from major orders mentioned above for the region limited order development in China and India. For comparison, the prior year included a large contract win for high-speed trains in China and major orders for Industry Solutions in India.

	Revenue (location of customer)					
	Year ended September 30,		**% Change vs. previous year**		**therein**	
	2010	**2009**	**Actual**	**Adjusted[1]**	**Currency**	**Portfolio**
	(in millions of)					
Europe, C.I.S.[2], Africa, Middle East	37,558	39,408	(5)%	(5)%	1%	(1)%
therein Germany	*10,222*	*10,330*	*(1)%*	*(1)%*	*0%*	*0%*
Americas	18,642	18,868	(1)%	(4)%	3%	0%
therein U.S.	*13,308*	*14,225*	*(6)%*	*(7)%*	*1%*	*0%*
Asia, Australia	12,778	11,777	9%	3%	5%	0%
therein China	*5,526*	*5,005*	*10%*	*9%*	*2%*	*0%*
therein India	*1,877*	*1,617*	*16%*	*9%*	*7%*	*0%*
Siemens	**68,978**	**70,053**	**(2)%**	**(3)%**	**2%**	**(1)%**

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

Revenue related to external customers declined 2% in fiscal 2010. Revenue in all Sectors benefited from positive currency translation effects. Revenue in Industry came in 3% below the prior-year level, including lower revenue at Industry Solutions and Drive Technologies. Within a 1% decline in Energy, a double-digit increase in revenue at Renewable Energy nearly offset declines in other Divisions. Healthcare revenue came in above the prior-year level, including broad-based growth across all businesses and a steady revenue increase throughout the year. Below the Sectors, streamlining activities at Centrally managed portfolio activities contributed to the overall revenue decline for Siemens. Revenue from **emerging markets** rose 6%, to 21.755 billion, accounting for 32% of Siemens overall revenue in fiscal 2010, compared to 29% in fiscal 2009.

On a geographic basis, growth in Asia, Australia was more than offset by declines in other regions. In **Europe, C.I.S., Africa, Middle East**, revenue decreased 5% year-over-year due primarily to lower revenue in the Industry Sector. Revenue in Industry decreased 8% in the region, driven by double-digit declines at Drive Technologies and Industry Solutions. Revenue for Energy and Healthcare came in near the level of the prior fiscal year. In Germany, a double-digit revenue increase in Energy was partly offset by a revenue decline at Industry and Healthcare. In the **Americas**, revenue fell 1% year-over-year, as lower sales in the U.S. were partly offset by double-digit growth in the region s emerging markets. Among the Sectors, revenue in the Americas decreased in Industry and came in level with the prior year in Energy and Healthcare. Benefiting from positive currency translation effects, revenue rose 9% in **Asia, Australia** in fiscal 2010 on double-digit growth in Industry and Healthcare. Revenue came in higher at four of the Industry Sector s five Divisions, and Healthcare showed strong revenue increases across its businesses year-over-year. The Energy Sector recorded a revenue decline in the region. Higher revenue in India included double-digit increases in all Sectors.

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Consolidated Statements of Income

	Year ended September 30, 2010	2009	% Change
	(in millions of)		
Gross profit	20,001	19,120	5%
as percentage of revenue	*29.0%*	*27.3%*	

Gross profit for fiscal 2010 came in 5% above the prior year on higher gross profit margins in all Sectors. Even though Industry and Energy recorded revenues slightly below the prior-year level, both Sectors reported higher gross profits in fiscal 2010. The increase in Industry included higher capacity utilization at Industry Automation, as well as higher gross profit at Mobility. These factors more than offset a significant gross profit decline at Industry Solutions, which took 205 million in charges related to cost estimates for a project engagement with a local partner in the U.S., and also saw a significant drop in revenue year-over-year. Gross profit in the Energy Sector rose on a more favorable revenue mix and strong project performance, particularly at Fossil Power Generation. The gross profit increase in the Healthcare Sector was due in part to higher revenues and was driven by improved gross profits and margins in its imaging and therapy systems and diagnostics businesses. In addition to a favorable product mix in fiscal 2010, Healthcare benefited from positive effects related to currency developments and from comparison with the prior-year period, which included an unfavorable currency hedge and was burdened by higher charges related to the particle therapy business. These charges were 96 million in fiscal 2010 and 169 million a year earlier. Gross profit in all three Sectors benefited from their respective portions of a previously disclosed pension curtailment gain in the second quarter of fiscal 2010. In addition, gross profit in fiscal 2010 included 169 million of the expenses related to the special remuneration for non-management employees. The above factors, together with savings related to our supply chain management efforts, resulted in a gross profit margin of 29.0% for Siemens overall, up from 27.3% in fiscal 2009.

	Year ended September 30, 2010	2009	% Change
	(in millions of)		
Research and development expenses	(3,558)	(3,597)	(1)%
as percentage of revenue	*5.2%*	*5.1%*	
Marketing, selling and general administrative expenses	(9,666)	(9,525)	1%
as percentage of revenue	*14.0%*	*13.6%*	
Other operating income	839	719	17%
Other operating expense	(1,554)	(582)	167%
Income (loss) from investments accounted for using the equity method, net	9	(1,620)	n/a
Interest income	2,045	2,028	1%
Interest expense	(1,759)	(2,074)	(15)%
Other financial income (expense), net	(383)	(434)	(12)%

R&D expenses decreased slightly, to 3.558 billion, due primarily to lower expenses in the Industry Sector. R&D expenses as a percentage of revenue were 5.2% in fiscal 2010, nearly unchanged from the prior-year level. SG&A expenses rose slightly to 9.666 billion or 14.0% of revenues in fiscal 2010, from 9.525 billion or 13.6% of revenues a year earlier. The increase was due primarily to higher expenses in the Energy Sector associated with growth in the second half of fiscal 2010. SG&A expenses in fiscal 2010 also included a portion of the expenses related to the special remuneration for non-management employees.

Other operating income was 839 million in fiscal 2010 and included higher gains in connection with compliance-related matters, including a gain of 84 million related to an agreement with the provider of the Siemens directors and officers liability insurance, a net gain related to settlements with former members of Siemens Managing Board and Supervisory Board, and total gains of 40 million related to the recovery of funds frozen by authorities. In addition, fiscal 2010 included a gain of 47 million related to the sale of Mobility s airfield solutions business, and a gain of 35 million from the sale of our Roke Manor activities in the U.K. that were reported in Corporate items. Further, Siemens ceased to consolidate a former subsidiary in the third quarter of fiscal 2010 due to a loss of control, and recorded a related gain of 40 million. For comparison, Other operating income of 719 million in fiscal 2009 included higher gains related to the disposal of real estate, most notably a gain of 224 million from the sale of Siemens residential real estate holdings, and income related to legal and regulatory matters. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Other operating expense increased substantially in fiscal 2010, to 1.554 billion, compared to 582 million a year earlier. The difference was due primarily to impairment charges at the Diagnostics Division in the fourth quarter of fiscal 2010, including 1.145 billion for goodwill and 39 million for real estate. In addition, fiscal 2010 included 106 million provided for in connection with an expected loss from the sale of our electronics assembly systems business, held in Centrally managed portfolio activities, to ASM Pacific Technology. The transaction was announced in the fourth quarter of fiscal 2010 and closed in the second quarter of fiscal 2011. Further, fiscal 2010 included charges related to legal and regulatory matters. For comparison, fiscal 2009 included expenses for outside advisors engaged in connection with investigations into alleged violations of anti-corruption laws and related matters as well as remediation activities, which amounted to 95 million. Fiscal 2009 also included a charge of 53 million related to a global settlement agreement with the World Bank Group and expenses related to the divestment of an industrial manufacturing unit in Austria, which was held in Centrally managed portfolio activities. Further, fiscal 2009 included valuation allowances on loans. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Income from investments accounted for using the equity method, net was a positive 9 million in fiscal 2010, compared to a negative 1.620 billion a year earlier. The difference was due primarily to an equity investment loss of 2.177 billion in fiscal 2009 related to NSN. This equity investment loss included an impairment of 1.634 billion on our stake in NSN recorded in the fourth quarter and a loss of 543 million, including a charge of 216 million related to an impairment of deferred tax assets at NSN as well as our share of restructuring and integration costs. In addition, fiscal 2009 included a gain of 327 million on the sale of our stake in Fujitsu Siemens Computers (Holding) B.V. (FSC) and an equity investment loss of 171 million related to Enterprise Networks Holdings B.V. (EN). For comparison, Income from investments accounted for using the equity method, net in fiscal 2010 included an investment loss of 533 million related to NSN and a gain of 47 million from the sale of a stake in an investment at SFS. Further, equity investment income related to our stakes in BSH and KMW improved to a total of 277 million in fiscal 2010 from a total of 195 million a year earlier. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Interest income increased slightly to 2.045 billion in fiscal 2010, from 2.028 billion a year earlier. **Interest expense** was 1.759 billion, down from 2.074 billion in fiscal 2009. The decline in interest expense was due in part to lower interest rates in fiscal 2010 compared to the prior fiscal year. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Other financial income (expense), net was a negative 383 million in fiscal 2010 compared to a negative 434 million in the prior-year period. The difference was due primarily to higher expenses in fiscal 2009 as a result of allowances and write-offs of finance receivables, net of reversals. These net expenses amounted to 63 million in fiscal 2010, compared to 162 million a year earlier. This factor was partly offset by higher losses year-over-year related to interest rate derivatives not qualifying for hedge accounting. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

	Year ended September 30, 2010	2009	% Change
	(in millions of)		
Income from continuing operations before income taxes	5,974	4,035	48%
Income taxes	(1,712)	(1,502)	14%
as percentage of income from continuing operations before income taxes	*29%*	*37%*	
Income from continuing operations	4,262	2,533	68%
Loss from discontinued operations, net of income taxes	(194)	(36)	>200%
Net income	4,068	2,497	63%
Net income attributable to non-controlling interests	169	205	
Net income attributable to shareholders of Siemens AG	3,899	2,292	70%

Income from continuing operations before income taxes was 5.974 billion in fiscal 2010, compared to 4.035 billion a year earlier. The improvement year-over-year was due to the factors mentioned above, primarily including higher gross profit in all Sectors and an improved financial result in fiscal 2010. While both periods included major impairments as noted above, the impact on income from continuing operations was lower in fiscal 2010. The effective tax rate was 29% in fiscal 2010, down from 37% in the prior fiscal year. The rate in fiscal 2010 was adversely affected by the goodwill impairment charges at the Diagnostics Division, a majority of which was not deductible for tax purposes. This effect was more than offset by the release of tax provisions after the conclusion of tax audits, and the release of tax liabilities after the positive decision on appeal related to non-deductible expenses in connection with certain foreign dividends. For comparison, the effective tax rate in fiscal 2009 was adversely affected by the significant Loss from investments accounted for using the equity method, net, primarily due to NSN, partly offset by the tax-free gain on the sale of our stake in FSC. As a result, Income from continuing operations after taxes was 4.262 billion in fiscal 2010, up from 2.533 billion a year earlier.

Discontinued operations primarily include Siemens IT Solutions and Services which was sold to AtoS in the fourth quarter of fiscal 2011, and OSRAM which Siemens plans to list publicly. In addition, discontinued operations include former Com activities, comprising telecommunications carrier activities transferred into NSN in the third quarter of fiscal 2007; the enterprise networks business, 51% of which was divested during the fourth quarter of fiscal 2008; and the mobile devices business sold to BenQ Corporation in fiscal 2005 as well as the former Siemens VDO Automotive activities, which were sold to Continental AG in the first quarter of fiscal 2008. Income (loss) from discontinued operations, net of income taxes in fiscal 2010 was (194) million, compared to (36) million a year earlier. Fiscal 2010 included a loss of 468 million after tax attributable to Siemens IT Solutions and Services, including pretax charges of 390 million related to the completion of staff reduction measures related to the strategic reorientation of Siemens IT Solutions and Services aimed at strengthening the competitive position of the business. For comparison, income (loss) from discontinued operations associated with Siemens IT Solutions and Services in fiscal 2009 was (61) million after tax, including pretax charges for staff reduction measures of 81 million. In contrast, income (loss) from discontinued operations related to OSRAM improved to 318 million after tax in fiscal 2010, up from (15) million after tax in the prior fiscal year, due to a combination of factors including higher revenues, increased capacity utilization, an improved business mix as well as an improved cost structure. For comparison, income from discontinued operations related to OSRAM in fiscal 2009 was burdened by a pretax impact of 40 million for major impairments and inventory write-downs taken in the fourth quarter as well as 57 million in pretax charges for staff reduction measures. Income (loss) from discontinued operations, net of income taxes in fiscal 2010 also included charges related to legal and regulatory matters associated with former Com activities. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Net income for Siemens in fiscal 2010 was 4.068 billion compared to 2.497 billion a year earlier. Net income attributable to shareholders of Siemens AG was 3.899 billion, up from 2.292 billion in fiscal 2009.

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SEGMENT INFORMATION ANALYSIS

Sectors

Industry

	Year ended September 30, 2010	2009	% Change Actual	Adjusted[(1)]	therein Currency	Portfolio
	(in millions of)					
Sector						
Profit	2,658	2,372	12%			
Profit margin	8.8%	7.6%				
New orders	30,243	29,263	3%	1%	3%	0%
Total revenue	30,203	31,024	(3)%	(4)%	2%	0%
External revenue	29,093	29,932	(3)%			
therein:						
Europe, C.I.S.[(2)], Africa, Middle East	*16,251*	*17,585*	*(8)%*			
therein Germany	*6,103*	*6,181*	*(1)%*			
Americas	*6,551*	*6,801*	*(4)%*			
Asia, Australia	*6,291*	*5,545*	*13%*			

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

The **Industry** Sector increased its profit 12% year-over-year, to 2.658 billion, as successful profitability initiatives resulted in improved capacity utilization and cost management. These factors were particularly evident in the Sector s shorter-cycle businesses, which began recovering from the downturn in the first half of the fiscal year. All Divisions except Industry Solutions produced higher profit year-over-year, with the strongest increases coming from Industry Automation. A number of factors burdened Sector profit in both periods. Profit in fiscal 2010 includes 185 million in charges for staff reduction measures, 205 million in charges related to cost estimates for a project engagement with a local partner in the U.S., and a provision for a supplier-related warranty. These factors were only partly offset by 53 million in gains related to curtailment of pension plans in the U.S., which benefited results at all Divisions, and a 47 million net gain at Mobility on the sale of its airfield lighting business. Profit in fiscal 2009 was held back by 155 million in charges for staff reduction measures in the fourth quarter.

Revenue in Industry came in slightly below the prior-year level. While the recovery in shorter-cycle business mentioned above helped lift revenue for Industry Automation, market conditions for the Sector s longer-cycle businesses showed signs of stabilization later in the fiscal year. On a regional basis, double-digit growth in Asia, Australia was more than offset by lower revenue in Europe, C.I.S., Africa, Middle East and the Americas. Orders rose 3% compared to fiscal 2009 on increases at all Divisions except Mobility, which saw lower volume from major orders. The improvement was due to higher demand in the Americas, as orders in other regions came in almost level with fiscal 2009. Industry s order backlog was 28 billion at the end of fiscal 2010, unchanged from a year earlier.

	New orders Year ended September 30, 2010	2009	% Change Actual	Adjusted[(1)]	therein Currency	Portfolio
	(in millions of)					
Divisions						
Industry Automation	6,421	5,571	15%	13%	2%	0%
Drive Technologies	6,981	6,511	7%	5%	2%	0%
Building Technologies	7,132	6,910	3%	1%	3%	0%
Industry Solutions	6,203	6,101	2%	(1)%	3%	0%

Mobility	5,885	6,766	(13)%	(14)%	2%	(1)%

(1) Excluding currency translation and portfolio effects.

	Revenue					
	Year ended September 30,		% Change		therein	
	2010	2009	Actual	Adjusted(1)	Currency	Portfolio
	(in millions of)					
Divisions						
Industry Automation	6,226	5,763	8%	6%	2%	0%
Drive Technologies	6,960	7,526	(8)%	(9)%	2%	0%
Building Technologies	6,903	7,007	(1)%	(3)%	2%	0%
Industry Solutions	6,040	6,804	(11)%	(13)%	2%	0%
Mobility	6,508	6,442	1%	1%	2%	(2)%

(1) Excluding currency translation and portfolio effects.

	Profit			Profit Margin	
	Year ended September 30,			Year ended September 30,	
	2010	2009	% Change	2010	2009
	(in millions of)				
Divisions					
Industry Automation	1,004	642	57%	16.1%	11.1%
Drive Technologies	803	784	2%	11.5%	10.4%
Building Technologies	401	288	39%	5.8%	4.1%
Industry Solutions	(10)	310	n/a	(0.2)%	4.6%
Mobility	463	343	35%	7.1%	5.3%

Profit at **Industry Automation** increased 57% year-over-year on an improved business mix, higher capacity utilization and measures to improve profitability. The Division took 25 million in charges for staff reduction measures, compared to net charges of 22 million in the fourth quarter of fiscal 2009. Profit in fiscal 2010 benefited from a 19 million gain from the sale of a business. Both fiscal years under review included purchase price allocation (PPA) effects from the acquisition of UGS Corp., acquired in fiscal 2007. PPA effects were 142 million in fiscal 2010 and 138 million a year earlier. Revenue and orders both grew year-over-year, in part due to a restoration of customer demand in the factory automation markets, including short-term restocking effects. Orders grew in all three regions, led by Asia, Australia. Revenue grew strongly in Asia, Australia while revenue in other regions remained stable year-over-year.

Profit at **Drive Technologies** improved quarter by quarter throughout fiscal 2010, and came in at 803 million for the full year. Charges for staff reduction measures were 37 million compared to charges of 30 million in the fourth quarter of fiscal 2009. The increase in profit year-over-year was driven by the Division s shorter-cycle businesses, which saw steady recovery of their markets during the year following a sharp downturn in fiscal 2009. This trend included strong demand from the machine-building industry. In contrast, the Division s longer-cycle businesses did not see signs of more stable market conditions until late in fiscal 2010. Revenue was lower year-over-year notably including a decline in Europe, C.I.S., Africa, Middle East. Orders increased 7% year-over-year, driven by the improvement year-over-year in shorter-cycle businesses.

Building Technologies contributed 401 million to Sector profit in fiscal 2010. The sharp increase compared to fiscal 2009 included a strong performance in control products and systems and a turn-around in the low voltage distribution business. Charges for staff reduction measures were 24 million in fiscal 2010 compared to 29 million in the fourth quarter of fiscal 2009. The provision for a supplier-related warranty mentioned above was largely offset by the Division s portion of the pension curtailment gain, also mentioned above. Revenue came in 1% lower than a year earlier, as higher revenue in Asia, Australia was more than offset by lower revenue in other regions. Orders rose 3% on higher demand in Asia, Australia and the Americas.

Industry Solutions reported a loss of 10 million in fiscal 2010, down from a profit of 310 million in fiscal 2009. In fiscal 2010, the Division took 205 million in charges related to cost estimates for a project engagement with a local partner in the U.S. mentioned above. Furthermore, charges for staff reduction measures were higher, totaling 101 million in fiscal 2010 compared to 69 million in fiscal 2009. To a lesser extent, profit

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also fell on lower capacity utilization. Revenue declined 11% year-over-year, due primarily to a sharp drop year-over-year at the Division s large metal technologies business. A sharp increase in order intake in the fourth quarter in the Americas and Europe, C.I.S., Africa, Middle East lifted full-year orders above the level of fiscal 2009.

Mobility contributed 463 million to Sector profit in fiscal 2010, well above the prior-year level due in part to selective order intake in prior periods as well as execution of programs to improve performance in its project business. Profit benefited from the 47 million gain from the sale of the Division s airfield lighting business and the Division s portion of the pension curtailment gain, both mentioned above. Revenue for Mobility was stable year-over-year, as growth in Asia, Australia offset declines in other regions. Orders came in lower compared to the prior fiscal year, when a higher volume from major orders included a particularly large train order in China.

Energy

	Year ended September 30,		% Change		therein	
	2010	2009	Actual	Adjusted(1)	Currency	Portfolio
	(in millions of)					
Sector						
Profit	3,361	3,127	8%			
Profit margin	13.2%	12.1%				
New orders	30,122	30,076	0%	(2)%	2%	0%
Total revenue	25,520	25,793	(1)%	(4)%	2%	0%
External revenue	25,205	25,406	(1)%			
therein:						
Europe, C.I.S.(2), Africa, Middle East	*14,800*	*14,716*	*1%*			
therein Germany	*2,118*	*1,905*	*11%*			
Americas	*6,558*	*6,552*	*0%*			
Asia, Australia	*3,847*	*4,139*	*(7)%*			

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

The **Energy** Sector executed particularly well in fiscal 2010, increasing Sector profit 8% year-over-year, to 3.361 billion, despite a slight decline in full-year revenue compared to fiscal 2009 and increased expenses for R&D, marketing and selling associated with growth in the second half of fiscal 2010. Profit growth came primarily from Fossil Power Generation, due mainly to strong project execution and a more favorable revenue mix, and to a lesser extent from Power Transmission. The Sector s other Divisions each posted a moderate profit decline year-over-year.

Market conditions for Energy were difficult in the first half of fiscal 2010, as customer postponements of large infrastructure projects that began in fiscal 2009 continued into fiscal 2010. Conditions improved in the second half, particularly including a strong pick-up in major orders. As a result, fiscal 2010 orders for the Sector came in just above the prior-year level, at 30.122 billion. Orders climbed at all Divisions except Fossil Power Generation, which saw significantly lower volume from major orders in the first three quarters of the fiscal year. On a geographic basis, higher orders in the regions Americas and Asia, Australia offset lower demand in the region Europe, C.I.S., Africa, Middle East. Revenue of 25.520 billion was 1% lower than the fiscal 2009 level, as a double-digit increase in revenue at Renewable Energy nearly offset declines in the other Divisions. On a geographic basis, revenue was up slightly in the region Europe, C.I.S., Africa, Middle East, level in the region Americas and lower in the region Asia, Australia. On a book-to-bill ratio of 1.18, the Sector s order backlog rose to 53 billion at the end of fiscal 2010, up from 47 billion a year earlier.

	New Orders					
	Year ended September 30,		% Change		therein	
	2010	2009	Actual	Adjusted[1]	Currency	Portfolio
	(in millions of)					
Divisions						
Fossil Power Generation	9,920	12,135	(18)%	(20)%	2%	0%
Renewable Energy	5,929	4,823	23%	22%	1%	0%
Oil & Gas	4,943	4,450	11%	7%	4%	0%
Power Transmission	6,770	6,324	7%	5%	2%	0%
Power Distribution	3,231	3,018	7%	4%	3%	0%

(1) Excluding currency translation and portfolio effects.

	Revenue					
	Year ended September 30,		% Change		therein	
	2010	2009	Actual	Adjusted[1]	Currency	Portfolio
	(in millions of)					
Divisions						
Fossil Power Generation	9,550	9,802	(3)%	(3)%	1%	0%
Renewable Energy	3,272	2,935	11%	5%	3%	3%
Oil & Gas	4,156	4,276	(3)%	(6)%	4%	0%
Power Transmission	6,143	6,172	0%	(4)%	3%	0%
Power Distribution	3,039	3,284	(7)%	(10)%	3%	0%

(1) Excluding currency translation and portfolio effects.

	Profit			Profit Margin	
	Year ended September 30,			Year ended September 30,	
	2010	2009	% Change	2010	2009
	(in millions of)				
Divisions					
Fossil Power Generation	1,445	1,206	20%	15.1%	12.3%
Renewable Energy	343	361	(5)%	10.5%	12.3%
Oil & Gas	455	468	(3)%	10.9%	11.0%
Power Transmission	715	681	5%	11.6%	11.0%
Power Distribution	398	412	(3)%	13.1%	12.5%

Fossil Power Generation again led all Siemens Divisions with 1.445 billion in profit in fiscal 2010. Drivers of the 20% increase year-over-year included strong project execution and a more favorable revenue mix, including a higher contribution from the service business. Charges of 57 million for capacity adjustments related to a shift of production capacity within the Americas region were partly offset by the Division s share in the pension curtailment gain. Order development at Fossil Power Generation was heavily influenced by market contraction in the first three quarters of fiscal 2010, including the drop in major orders mentioned above. Strong demand in the fourth quarter of fiscal 2010 limited the Division s order decline to 18% for the full year. In contrast, revenue development throughout the year remained relatively stable due to Fossil Power Generation s strong order backlog, and revenue in fiscal 2010 came in 3% below the prior-year period.

Profit at **Renewable Energy** declined 5% in fiscal 2010 compared to fiscal 2009, to 343 million, after significant expenses and investments to expand the Division s wind business and build up its solar business, including transaction and integration costs related to consolidation of the solar company Solel. These transaction and integration costs, in combination with negative operating results, resulted in a net loss related to the acquired Solel business in fiscal 2010. After a seasonally low first quarter, revenue rose in each of the next three quarters of fiscal 2010, both year-over-year and on a consecutive basis, resulting in an 11% increase for the full year. As in past years, order development was more volatile from quarter to quarter than revenue growth. The Division continued to win large wind-farm orders in Europe and the Americas and generated a

23% increase in new orders for the full fiscal year 2010.

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Profit at **Oil & Gas** came in 3% lower year-over-year in fiscal 2010, at 455 million. The main factor in the change was a 3% decline in revenue coming primarily from the Division s compression and solutions business. Orders rose steadily throughout fiscal 2010 and came in 11% higher year-over-year, including strong demand at the industrial turbines business.

Power Transmission recorded a 5% increase in profit in fiscal 2010, to 715 million. While profit was held back in part by pricing pressure due mainly to new market entrants, the Division benefited from a positive swing in effects from commodity hedging and also improved its project performance compared to the prior year. Starting from a relatively low level in the first quarter of fiscal 2010, the Division increased its revenue steadily throughout the year. Due to a particularly strong fourth quarter in the transformers business, full-year revenue came in just below the prior-year level. Orders at Power Transmission rose 7% compared to the prior fiscal year, due to a higher volume from major orders in fiscal 2010, including large contracts for grid access to off-shore wind-farms.

Profit at **Power Distribution** was 398 million in fiscal 2010, down 3% from the prior-year level, due mainly to a 7% decline in revenue. Both results were driven by the Division s medium voltage business, which saw double-digit percentage drops in revenue and profit compared to fiscal 2009. Orders for the Division were up 7% year-over-year, due to a strong fourth quarter in fiscal 2010 that more than offset weaker demand earlier in the fiscal year.

Healthcare

	Year ended September 30,		% Change		therein	
	2010	2009	Actual	Adjusted(1)	Currency	Portfolio
	(in millions of)					
Sector						
Profit	653	1,362	(52)%			
Profit margin	5.3%	11.4%				
New orders	12,872	11,950	8%	5%	3%	0%
Total revenue	12,364	11,927	4%	1%	3%	0%
External revenue	12,281	11,869	3%			
therein:						
Europe, C.I.S.(2), Africa, Middle East	*4,681*	*4,728*	*(1)%*			
therein Germany	*1,056*	*1,073*	*(2)%*			
Americas	*5,142*	*5,154*	*0%*			
Asia, Australia	*2,459*	*1,986*	*24%*			

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

Conditions in the global healthcare market improved in fiscal 2010, particularly including significant increases in healthcare equipment spending in emerging markets. In addition, passage of healthcare reform legislation in the U.S. removed some uncertainty in the market and contributed to an easing of customer restraint regarding capital expenditures.

The **Healthcare** Sector profit of 653 million in fiscal 2010 was burdened by impairment charges of 1.204 billion at Diagnostics during the fourth quarter, including a goodwill impairment. These impairments more than offset positive effects during the year. These included a gain of 79 million related to the curtailment of pension plans in the U.S. and a gain of 40 million, taken at the Sector level, as the Sector ceased to consolidate a subsidiary due to loss of control. The change in profit year-over-year included positive effects related to currency development, notably an unfavorable currency hedge in the prior year. Both periods under review included charges associated with particle therapy business, totaling 96 million in fiscal 2010 and 169 million in fiscal 2009. The charges stemmed from tests of prototype technology, resulting in a revised assessment of the additional costs required to complete the projects.

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Diagnostics posted a loss of 804 million in fiscal 2010 compared to profit of 313 million a year earlier, due primarily to the impairment charges mentioned above. During the fourth quarter, Siemens completed a strategic review which reassessed the medium-term growth prospects and long-term market development of the laboratory diagnostics business, and also conducted correspondingly an annual impairment test. The impairment charges of 1.204 billion included 1.145 billion for goodwill and 39 million for real estate. For further information regarding goodwill at Diagnostics see Item 18: Financial Statements Notes to Consolidated Financial Statements. Diagnostics recorded lower expenses related to SG&A, and results also benefited from 22 million of the pension curtailment gain mentioned above. PPA effects related to past acquisitions were 178 million in fiscal 2010. In addition, Diagnostics recorded 90 million of integration costs. A year earlier, PPA effects and integration costs totaled 248 million.

In fiscal 2010, orders for the **Healthcare** Sector came in 8% higher compared to the prior fiscal year. The Sector recorded higher orders in the Americas, particularly including the U.S., and in Asia, Australia. Revenue in fiscal 2010 increased 4% compared to fiscal 2009, particularly on a broad-based growth across its businesses in Asia, Australia. Orders were stable in Europe, C.I.S., Africa, Middle East and revenues showed a slight decline in the region. On an organic basis, excluding strong positive currency translation effects, orders came in 5% higher and revenue rose 1% compared to fiscal 2009. Healthcare s book-to-bill ratio was 1.04 for fiscal 2010, and its order backlog at the end of the year stood at 7 billion compared to 6 billion a year earlier.

Fiscal 2010 orders and revenue for **Diagnostics** rose 5% year-over-year, benefiting strongly from positive currency translation effects. On a geographic basis, revenue and order growth in the Americas and Asia, Australia more than offset slight declines in Europe, C.I.S., Africa, Middle East. On an organic basis, orders and revenue rose 3% and 2%, respectively, compared to the prior-year levels.

Equity Investments

In fiscal 2010, **Equity Investments** recorded a loss of 191 million compared to a loss of 1.851 billion a year earlier. The difference is due mainly to a significantly higher loss related to our stake in Nokia Siemens Networks B.V. (NSN) in fiscal 2009. In fiscal 2009, we took an impairment of 1.634 billion on our investment in NSN. The loss from our stake in NSN in fiscal 2009 also included a charge of 216 million related to an impairment of deferred tax assets at NSN. Furthermore, NSN took restructuring charges and incurred integration costs of 507 million. These factors led to an equity investment loss related to our stake in NSN of 2.177 billion in fiscal 2009. Also in fiscal 2009 Enterprise Networks Holdings B.V. (EN) incurred an operating loss and took restructuring charges. As a result, we incurred a loss of 171 million from our investment in EN in fiscal 2009. These losses were only partly offset by a gain of 327 million from the sale of our stake in FSC as well as equity investment income of 195 million related to our stakes in BSH Bosch und Siemens Hausgeräte GmbH (BSH) and Krauss-Maffei Wegmann GmbH & Co. KG (KMW). For comparison, in fiscal 2010, the loss related to our stake in NSN was 533 million. NSN recorded restructuring charges and integration costs of 378 million in fiscal 2010. Also in fiscal 2010, Equity investment income from our stakes in BSH and KMW improved to a total of 277 million.

Financial Services (SFS)

	Year ended September 30, 2010	2009	% Change
	(in millions of)		
Income before income taxes	443	300	48%
Total assets	12,506	11,704	7%

SFS raised its profit (defined as income before income taxes) in fiscal 2010 to 443 million from 300 million a year earlier. The increase in profit compared to fiscal 2009 came mainly from higher results in the commercial finance business, driven by significantly lower additions to loss reserves and higher interest results. Fiscal 2010 profit benefited also from positive net effects related to various investments, including a gain of 47 million on the sale of an investment. These factors more than offset lower income from SFS s internal services business. Total assets rose to 12.506 billion, due primarily to currency translation effects.

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The following table provides further information on the capital structure of SFS as of September 30, 2010 and 2009:

	September 30, 2010	September 30, 2009
	(in millions of)	
Allocated equity	1,458	1,243
Total debt	10,028	9,521
therein intragroup financing	*10,004*	*9,455*
therein debt from external sources	*24*	*66*
Debt to equity ratio	6.88	7.66
Cash and cash equivalents	90	136

Reconciliation to Consolidated Financial Statements

Reconciliation to Consolidated Financial Statements includes Centrally managed portfolio activities, SRE and various categories of items which are not allocated to the Sectors and to SFS because the Company s management has determined that such items are not indicative of the Sectors and SFS respective performance.

Centrally managed portfolio activities

For fiscal 2010, the result of Centrally managed portfolio activities was a loss of 169 million compared to a loss of 327 million a year earlier. Within this improvement, the loss related to the electronics assembly systems business declined to 141 million in fiscal 2010, including 106 million provided for in connection with an expected loss from the sale to ASM Pacific Technology. The transaction was announced in the fourth quarter of fiscal 2010 and closed in the second quarter of fiscal 2011. For comparison, fiscal 2009 included a higher loss related to Electronics Assembly Systems, primarily including 201 million related to the business due to operating losses and charges for impairments and staff reduction measures. In addition, fiscal 2009 included a loss related to the divestment of an industrial manufacturing unit in Austria, as well as higher net expenses related to divested businesses. Results related to the remaining former business activities of Siemens IT Solutions and Services reclassified as Centrally managed portfolio activities swung to a loss in fiscal 2010, compared to a positive profit contribution from these activities a year earlier. Due primarily to portfolio streamlining activities as well as lower revenue year-over-year from former business activities of Siemens IT Solutions and Services, revenue from Centrally managed portfolio activities in fiscal 2010 fell to 696 million from 1.059 billion a year earlier, despite higher revenues from the electronics assembly systems business.

Siemens Real Estate

Income before income taxes at SRE was 250 million in fiscal 2010, down from 341 million a year earlier, due in part to lower income related to the disposal of real estate. For comparison, fiscal 2009 included a gain of 224 million on the disposal of Siemens residential real estate holdings. Both periods included costs associated with Siemens program to bundle its real estate assets into SRE and to initiate further efficiency measures, including impairments. In fiscal 2010, these costs totaled 75 million and came in above the prior-year period. Assets with a book value of 872 million were transferred to SRE during fiscal 2010 as part of the real estate bundling program.

Corporate items and pensions

In fiscal 2010, Corporate items and pensions totaled (702) million compared to (920) million a year earlier.

Included therein, Corporate items improved from (581) million in fiscal 2009 to (535) million in fiscal 2010. Corporate items in fiscal 2010 included higher gains in connection with compliance-related matters, including a gain of 84 million related to an agreement with the provider of the Siemens directors and officers

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liability insurance, a net gain related to settlements with former members of Siemens Managing Board and Supervisory Board, and total gains of 40 million related to the recovery of funds frozen by authorities. Compared to the prior-year period, fiscal 2010 included higher personnel-related expenses, including expenses of 267 million related to special remuneration for non-management employees. After the allocation of this remuneration was determined in the first quarter of fiscal 2011, the expenses were allocated primarily to the Sectors in fiscal 2011. Further, fiscal 2010 included net charges related to legal and regulatory matters as well as a gain of 35 million from the sale of our Roke Manor activities in the U.K. In addition, fiscal 2010 included a net loss of 13 million related to a major asset retirement obligation, compared to a higher net loss in the prior year. In both periods, the net result related to the asset retirement obligation included negative interest-related effects from the measurement of the obligation and positive effects from related hedging activities not qualifying for hedge accounting. In addition, the net result related to the asset retirement obligation in fiscal 2010 included a gain of 60 million due to revised assumptions. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

For comparison, Corporate items in fiscal 2009 included net charges of 97 million related to the global SG&A program and other personnel-related restructuring measures. Expenses for outside advisors engaged in connection with investigations into alleged violations of anti-corruption laws and related matters as well as remediation activities amounted to 95 million in fiscal 2009. In addition, fiscal 2009 included a positive effect related to shifting an employment bonus program from cash-based to share-based payment, which was offset by a charge of 53 million related to a global settlement agreement with the World Bank Group.

Centrally carried pension expense was 167 million in fiscal 2010, compared to 339 million a year earlier. The change year-over-year was due to higher expected return on plan assets and lower interest costs in fiscal 2010, as well as higher insurance costs in the prior-year period related to our mandatory membership in the Pensionssicherungsverein (PSV), the German pension insurance association.

Eliminations, Corporate Treasury and other reconciling items

In fiscal 2010, income before income taxes from Eliminations, Corporate Treasury and other reconciling items was a negative 331 million compared to a negative 370 million a year earlier. Fiscal 2010 benefited primarily from a decline in refinancing costs due to lower interest rates, partly offset by changes in fair market value from interest rate derivatives.

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RECONCILIATION TO ADJUSTED EBITDA (CONTINUING OPERATIONS)

The following table gives additional information on topics included in Profit and Income before income taxes and provides a reconciliation to adjusted EBITDA based on continuing operations.

We report adjusted EBIT and adjusted EBITDA as a performance measure. The closest comparable GAAP figure under IFRS is Net income as reported in our Consolidated Statements of Income.

For further information regarding adjusted EBIT and adjusted EBITDA, please see Item 5: Operating and financial review and prospects Supplemental financial measures.

For the fiscal years ended September 30, 2011, 2010 and 2009 (in millions of)

	Profit[(1)(2)]			Income (loss) from investments accounted for using the equity method, net[(3)]			Financial income (expense), net[(4)]		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Sectors and Divisions									
Industry Sector	**3,618**	**2,658**	**2,372**	**37**	**13**	**3**	**(11)**	**(14)**	**(16)**
Industry Automation	1,415	1,004	642	7	(2)	(2)	1	3	(2)
Drive Technologies	1,087	803	784	3	(1)	(2)		(1)	(2)
Building Technologies	409	401	288	7	7	4	(1)	1	1
Industry Solutions	276	(10)	310	9	4	4	(3)	(3)	3
Mobility	429	463	343	11	5	(1)	(7)	(13)	(16)
Energy Sector	**4,141**	**3,361**	**3,127**	**12**	**78**	**59**	**828**	**(22)**	**(10)**
Fossil Power Generation	2,833	1,445	1,206	33	27	26	823	(14)	(14)
Renewable Energy	(2)	343	361	(57)	9	4		(3)	(1)
Oil & Gas	467	455	468				(3)	(2)	
Power Transmission	562	715	681	35	36	27	10		9
Power Distribution	286	398	412	1	6	2	(3)	(2)	(3)
Healthcare Sector	**1,334**	**653**	**1,362**	**9**	**3**	**29**	**3**	**20**	**5**
therein: Diagnostics	300	(804)	313		(9)		5	7	8
Total Sectors	**9,093**	**6,673**	**6,861**	**58**	**93**	**91**	**820**	**(15)**	**(21)**
Equity Investments	**(26)**	**(191)**	**(1,851)**	**(44)**	**(248)**	**(1,833)**	**13**	**35**	**30**
Financial Services (SFS)	**428**	**443**	**300**	**92**	**130**	**130**	**299**	**268**	**111**
Reconciliation to Consolidated Financial Statements									
Centrally managed portfolio activities	(40)	(169)	(327)	12	14	24		4	1
Siemens Real Estate (SRE)	150	250	341				(82)	(47)	(35)
Corporate items and pensions	(273)	(702)	(920)			(4)	77	(144)	(367)
Eliminations, Corporate Treasury and other reconciling items	(90)	(331)	(369)	29	20	(28)	10	(196)	(200)
Siemens	**9,242**	**5,974**	**4,035**	**147**	**9**	**(1,620)**	**1,137**	**(97)**	**(480)**

(1) Profit of the Sectors and Divisions as well as of Equity Investments and Centrally managed portfolio activities is earnings before financing interest, certain pension costs and income taxes. Certain other items not considered performance indicative by Management may be excluded. Profit of SFS and SRE is Income before income taxes. Profit of Siemens is Income from continuing operations before income taxes. For a reconciliation of Income from continuing operations before income taxes to Net income see Consolidated Statements of Income.

(2) Beginning with fiscal 2011, central infrastructure costs which were formerly reported in Corporate items will be allocated primarily to the Sectors. The total amount to be allocated is determined at the beginning of the fiscal year and is charged in set portions in all four quarters. Presentation of prior-year information has been adjusted to conform to the current-year presentation.

(3) Includes impairments and reversals of impairments of investments accounted for using the equity method.

(4) Includes impairment of non-current available-for-sale financial assets. For Siemens, Financial income (expense), net comprises Interest income, Interest expense and Other financial income (expense), net as reported in the Consolidated Statements of Income.

(5) Adjusted EBIT is Income from continuing operations before income taxes less Financial income (expense), net and Income (loss) from investments accounted for using the equity method, net.

(6) Amortization and impairments, net of reversals, of intangible assets other than goodwill.

(7) Depreciation and impairments of property, plant and equipment, net of reversals. Includes impairments of goodwill of 128 million, 1.145 billion and 32 million for the fiscal years ended September 30, 2011, 2010 and 2009, respectively.

Due to rounding numbers presented may not add up precisely to totals provided.

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(Continued)

Adjusted EBIT[5]			Amortization[6]			Depreciation and impairments of property, plant and equipment and goodwill[7]			Adjusted EBITDA			Adjusted EBITDA margin		
2011	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
3,592	**2,659**	**2,384**	**349**	**346**	**350**	**437**	**438**	**472**	**4,378**	**3,444**	**3,206**	**13.3%**	**11.4%**	**10.3%**
1,406	1,004	646	177	183	188	100	94	98	1,683	1,282	932			
1,085	804	788	45	45	44	156	148	150	1,286	997	982			
404	393	283	85	77	75	84	91	104	572	561	462			
269	(11)	303	27	25	33	53	59	64	349	73	400			
425	471	360	15	15	10	44	47	56	485	533	426			
3,301	**3,305**	**3,078**	**111**	**93**	**70**	**541**	**353**	**315**	**3,953**	**3,752**	**3,463**	**14.3%**	**14.7%**	**13.4%**
1,976	1,431	1,194	15	16	16	125	123	107	2,117	1,571	1,317			
55	337	358	45	29	7	227	57	45	328	423	410			
470	457	468	26	26	26	63	58	58	559	541	552			
517	679	645	10	11	11	87	77	66	613	767	722			
288	395	413	15	11	10	34	33	33	337	439	456			
1,322	**630**	**1,328**	**320**	**317**	**304**	**324**	**1,538**	**350**	**1,967**	**2,484**	**1,982**	**15.7%**	**20.1%**	**16.6%**
295	(802)	304	188	200	181	219	1,422	233	702	820	718			
8,215	**6,595**	**6,792**	**781**	**756**	**724**	**1,303**	**2,329**	**1,137**	**10,299**	**9,680**	**8,653**			
5	**22**	**(48)**							**5**	**22**	**(48)**			
37	**46**	**59**	**9**	**7**	**6**	**256**	**326**	**314**	**303**	**380**	**379**			
(52)	(187)	(352)	3	2	2	4	10	49	(44)	(176)	(301)			
232	298	376	2	2	1	271	294	180	504	594	557			
(350)	(557)	(549)	12	24	31	47	51	54	(290)	(483)	(464)			
(129)	(155)	(142)				(50)	(59)	(70)	(179)	(213)	(212)			
7,958	**6,061**	**6,135**	**807**	**791**	**764**	**1,831**	**2,952**	**1,664**	**10,596**	**9,805**	**8,563**			

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Liquidity and capital resources

Principles and objectives of financial management

Siemens is committed to a strong financial profile, which provides the financial flexibility to achieve growth and portfolio optimization goals largely independent of capital market conditions.

Financial management at Siemens is executed according to applicable laws and internal guidelines and regulations. It includes the following activities:

Liquidity management

Our principal source of financing is cash inflows from operating activities. Corporate Treasury generally manages cash and cash equivalents for Siemens and has primary responsibility for raising funds in the capital markets for Siemens through various debt products, with the exception of countries with conflicting capital market controls. The relevant consolidated subsidiaries in these countries obtain financing primarily from local banks. Siemens follows a prudent borrowing policy which is aimed towards a balanced financing portfolio, a diversified maturity profile and a comfortable liquidity cushion. On September 30, 2011, Siemens held 12.468 billion in cash and cash equivalents, mainly in euros, which were predominantly managed by Corporate Treasury. Especially since the beginning of the global financial markets crisis, Siemens monitors funding options available in the capital markets, trends in the availability of funds and the cost of such funding very closely to evaluate possible strategies regarding its financial and risk profile.

Corporate Treasury enters into reverse repurchase agreements with financial institutions with investment grade credit ratings. Siemens holds securities as collateral under these agreements via a third party (Euroclear) and is permitted to sell or re-pledge the securities. The extent to which Siemens engages in transactions involving reverse repurchase agreements depends on its liquidity management needs and the availability of cash and cash equivalents which varies from time to time. For further information on reverse purchase agreements see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Cash management

Cash management comprises the management of bank partner relationships and bank accounts as well as the execution of payments, including the administration of cash pools, on a global level. Siemens strives to raise efficiency and transparency through a high level of standardization and continuous advancement of payment processes. Where permissible, the execution of intercompany and third party payments is effected centrally through group-wide tools with central controls to ensure compliance with internal and external guidelines and requirements. To ensure efficient management of Siemens funds, Corporate Treasury has established a central cash management approach: to the extent legally and economically feasible, funds are pooled and managed centrally by Corporate Treasury. Conversely, funding needs within Siemens are covered centrally by Corporate Treasury via intercompany current accounts and/or loans where legally and economically feasible.

Financial risk management

Investments of cash and cash equivalents are subject to credit requirements and counterparty limits. Corporate Treasury pools and centrally manages Siemens interest rate, certain commodity and currency risk exposures and uses financial derivative instruments in transactions with external financial institutions to offset such concentrated exposures. Especially since the beginning of the global financial market crisis, Siemens monitors counterparty risk in its financial assets and financial derivative instruments very closely. For more detailed information about financial risk management at Siemens see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Management of pension plan funding

Siemens funding policy for its pension funds is part of its overall commitment to sound financial management, which includes a continuous analysis of the structure of its pension liabilities. For more detailed information about Siemens pension plan funding see Item 5: Operating and financial review and prospects Liquidity and capital resources Capital resources and requirements Funding of pensions and similar commitments.

Capital structure management and credit rating

To effectively manage its capital structure, Siemens seeks to maintain ready access to the capital markets through various debt products and to preserve its ability to repay and service its debt obligations over time. For more detailed information about Siemens capital structure, see below.

A key factor in maintaining a strong financial profile is our credit rating which is affected by, among other factors, our capital structure, profitability, 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 as follows:

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

On November 9, 2007 Moody s applied a long-term credit rating of A1. The rating classification A 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. On September 8, 2011 Moody s revised its outlook for Siemens credit rating from stable to positive. The outlook change recognizes that over the past years, Siemens large business portfolio has become more balanced and resilient to cyclicality as a result of disposals. Furthermore it reflects Siemens strengthened profitability. The Moody s rating outlook is an opinion regarding the likely direction of an issuer s rating over the medium-term. Rating outlooks of Moody s fall into the following six categories: positive, negative, stable, developing, ratings under review and no outlo

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. On September 8, 2011 Moody s affirmed our P-1 short-term rating.

On June 5, 2009 Standard & Poor s applied a long-term credit rating of A+. Within Standard & Poor s ratings definitions an obligation rated A has the third highest long-term rating category. The modifier + indicates that our long-term debt ranks in the upper end of the A category. On April 18, 2011, Standard & Poor s revised its outlook for Siemens credit rating from stable to positive. The outlook revision reflects Siemens solid operating and financial performance throughout the 2008 to 2010 global financial and economic downturn. A rating outlook indicates the potential direction of a long-term credit rating over the medium-term. Rating outlooks of Standard & Poor s fall into the following four categories: positive, negative, stable and developing.

Furthermore, Standard & Poor s raised our short-term corporate credit rating from A-1 to A-1+ on April 18, 2011. This is the highest short-term rating within the Standard & Poor s short-term rating scale. The upgrade of the short-term rating is based on Standard & Poor s assessment of our liquidity.

The U.S. Securities and Exchange Commission granted the registration of Moody s Investors Services and Standard & Poor s Ratings Services the status of nationally recognized statistical rating organizations (NRSROs). Siemens does not have any agreements with other nationally recognized statistical rating organizations to provide long-term and short-term credit ratings.

We believe that our high credit rating for our long-term debt applied by Moody s and Standard & Poor s allows us to raise funds in the capital markets at attractive conditions or to obtain financing from banks with financial flexibility. A high credit rating generally leads to lower credit spreads and therefore our rating also positively affects our funding costs. 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 and each rating should be evaluated independently of any other rating.

Capital structure

As of September 30, 2011 and 2010, our capital structure was as follows:

	September 30, 2011	September 30, 2010	% Change
	(in millions of)		
Total equity attributable to shareholders of Siemens AG	**31,530**	**28,346**	**11%**
As percentage of total capital	64%	59%	
Short-term debt and current maturities of long-term debt	3,660	2,416	
Long-term debt	14,280	17,497	
Total debt	**17,940**	**19,913**	**(10)%**
As percentage of total capital	36%	41%	
Total capital (total debt and total equity)	**49,470**	**48,259**	**3%**

In fiscal 2011, total equity attributable to shareholders of Siemens AG increased by 11% compared to fiscal 2010. Total debt decreased by 10% during fiscal 2011. This resulted in an increase in total equity as a percentage of total capital to 64% compared to 59% in fiscal 2010. Accordingly, total debt as a percentage of total capital decreased to 36% from 41% in the prior year. For more detailed information on changes in equity and in debt, see Item 5: Operating and financial review and prospects Net assets position and Item 18: Financial Statements Notes to Consolidated Financial Statements.

We have commitments to sell or otherwise issue common shares in connection with established share-based compensation plans. In fiscal 2011, commitments for share-based compensation were fulfilled through treasury shares. In fiscal 2012, we may again fulfill commitments for share-based compensation through treasury shares. For additional information with respect to share-based compensation and treasury shares, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

As part of our One Siemens framework for sustainable value creation, Siemens decided to continue to use an indicator to optimize its capital structure. For further information, see Item 5: Operating and financial review and prospects Business and operating environment Financial performance measures. A key consideration in this regard is maintenance of ready access to the capital markets through various debt products and preservation of our ability to repay and service our debt obligations over time. Siemens set a capital structure target range of 0.5 1.0. The ratio is defined as the item Adjusted industrial net debt divided by the item Adjusted EBITDA (continuing operations). The calculation of the item Adjusted industrial net debt is set forth in the table below. Adjusted EBITDA (continuing operations) is defined as adjusted earnings before income taxes (EBIT) before amortization (defined as amortization and impairments, net of reversals, of intangible assets other than goodwill) and depreciation and impairments of property, plant and equipment and goodwill. Adjusted EBIT is defined as the line item Income from continuing operations before income taxes less the line item Interest income, less the line item Interest expense less the line item Other financial income (expense), net as well as less the line item Income (loss) from investments accounted for using the equity method, net. For further information, see Item 5: Operating and financial review and prospects Reconciliation to adjusted EBITDA (continuing operations).

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	September 30, 2011	2010
	(in millions of)	
Short-term debt and current maturities of long-term debt	3,660	2,416
Plus: Long term debt[1]	14,280	17,497
Less: Cash and cash equivalents	(12,468)	(14,108)
Less: Current available-for-sale financial assets	(477)	(246)
Net debt	**4,995**	**5,560**
Less: SFS Debt	(12,075)	(10,028)
Plus: Pension plans and similar commitments[2]	7,307	8,464
Plus: Credit guarantees	591	597
Less: 50% nominal amount hybrid bond[3]	(883)	(886)
Less: Fair value hedge accounting adjustment[4]	(1,470)	(1,518)
Adjusted industrial net debt	**(1,534)**	**2,189**
Adjusted EBITDA (continuing operations)	**10,596**	**9,805**
Adjusted industrial net debt / adjusted EBITDA (continuing operations)	**(0.14)**	**0.22**

(1) The item Short-term debt and current maturities of long-term debt as well as the item Long-term debt included in total fair value hedge accounting adjustments of 1,470 million and 1,518 million for the fiscal year ended September 30, 2011 and 2010, respectively.

(2) In fiscal 2011, to consider Siemens total pension liability, adjusted industrial net debt includes line item Pension plans and similar commitments as presented in the Consolidated Statement of Financial Position. Prior-year amounts are reclassified to conform to the current-year presentation.

(3) The adjustment for our hybrid bond considers the calculation of this financial ratio applied by rating agencies to classify 50% of our hybrid bond as equity and 50% as debt. This assignment reflects the characteristics of our hybrid bond such as a long maturity date and subordination to all senior and debt obligations.

(4) Debt is generally reported with a value representing approximately the amount to be repaid. However for debt designated in a hedging relationship (fair value hedges), this amount is adjusted by changes in market value mainly due to changes in interest rates. Accordingly we deduct these changes in market value in order to end up with an amount of debt that approximately will be repaid. We believe this is a more meaningful figure for the calculation presented above. For further information on fair value hedges see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Due to rounding, numbers presented may not add up precisely to totals provided.

Cash flow fiscal 2011 compared to fiscal 2010

The following discussion presents an analysis of our cash flows for fiscal 2011 and 2010 for both continuing and discontinued operations. Discontinued operations include primarily OSRAM and Siemens IT Solutions and Services, which were classified as discontinued operations during the second quarter of fiscal 2011. Prior periods are presented on a comparable basis.

We report Free cash flow as a supplemental liquidity measure, which is 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 that the presentation of Free cash flow provides useful information to investors because it gives an indication of the long-term cash-generating ability of our business and our ability to pay for discretionary and non-discretionary expenditures not included in the measure, such as dividends, debt repayment or acquisitions. We also use Free cash flow to compare cash generation among the segments of our business. Free cash flow should not be considered in isolation or as an alternative to measures of cash flow calculated in accordance with IFRS. For further information about the usefulness and limitations of this measure, see Item 5: Operating and financial review and prospects Supplemental financial measures.

Free cash flow		Continuing operations 2011	Continuing operations 2010	Discontinued operations 2011	Discontinued operations 2010	Continuing and discontinued operations 2011	Continuing and discontinued operations 2010
		Year ended September 30, (in millions of)					
Net cash provided by (used in):[1]							
Operating activities	**A**	**8,056**	**8,997**	**(289)**	**352**	**7,767**	**9,349**
Investing activities		**(2,909)**	**(2,315)**	**(1,135)**	**(532)**	**(4,044)**	**(2,847)**
therein: Additions to intangible assets and property, plant and equipment	*B*	*(2,171)*	*(1,954)*	*(446)*	*(382)*	*(2,617)*	*(2,336)*
Free cash flow[1][2]	**A+B**	**5,885**	**7,043**	**(735)**	**(30)**	**5,150**	**7,013**

(1) For information regarding Net cash provided by (used in) financing activities please refer to the discussion below.

(2) The closest comparable financial measure of Free cash flow 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 in our Consolidated Statements of Cash Flow. Additions to intangible assets and property, plant and equipment from continuing operations is reconciled to the figures as reported in the Consolidated Statements of Cash Flow in the Notes to Consolidated Financial Statements. Other companies that report Free cash flow may define and calculate this measure differently.

Cash flows from operating activities Operating activities in continuing and discontinued operations provided net cash of 7.767 billion in fiscal 2011, compared to net cash provided of 9.349 billion a year earlier.

Within the total, continuing operations provided net cash of 8.056 billion the current period, compared to net cash provided of 8.997 billion in fiscal 2010. The decrease in cash flow from operating activities was due primarily to an increase in net working capital in Total Sectors associated with growth partly offset by cash inflows driven by an increase in Siemens profit supported by an increase of 36% in Total Sectors profit. The major factor within net working capital was an increased build-up in inventories, primarily in the Energy Sector. For comparison, net working capital in the Total Sectors decreased a year earlier. Fiscal 2011 included cash outflows for personnel-related expenses of 0.3 billion in connection with the previously disclosed special remuneration for non-management employees. For comparison, fiscal 2010 included higher cash outflows related to staff reduction measures. Lower income taxes paid in fiscal 2011 were more than compensated by lower dividends received which related mainly to our investment in BSH and higher pension funding relating to our pension plans and similar commitments compared to the prior year.

Discontinued operations used net cash of 289 million in fiscal 2011, compared to net cash provided of 352 million a year earlier. The current period included primarily cash outflows related to establishing Siemens IT Solutions and Services as a separate legal group, including for carve-out activities and personnel-related matters partly offset by cash inflows from OSRAM s operating activities.

Cash flows from investing activities Investing activities in continuing and discontinued operations used net cash of 4.044 billion in fiscal 2011, compared to net cash used of 2.847 billion a year earlier.

Within the total, net cash used in investing activities for continuing operations amounted to 2.909 billion in the current period compared to net cash used of 2.315 billion in fiscal 2010. Higher cash outflows in the current period are due mainly to cash outflows of 1.770 billion in fiscal 2011 for the increase in receivables from financing activities. In the fourth quarter of fiscal 2011, SFS announced a growth strategy which includes even stronger support for the operating businesses of Siemens, leading to higher net cash outflows at the end of the fourth quarter primarily to the growth in the commercial finance business at SFS. Higher purchases of investments in fiscal 2011 of 889 million primarily included cash outflows relating to the 500 million in new equity, which we provided to NSN in exchange for preferred shares in order to further strengthen NSN s financial position. Other factors within purchases of investments relate to the build-up of our concentrated solar power business and the first installment payment for our equity investment in A2SEA A/S, a supplier of offshore wind-farm installation services. These higher cash outflows were partly offset by higher proceeds from sales of investments, intangibles and property, plant and equipment, which rose to 2.108 billion from 585 million in the prior-year period. Sales of investments of 1.587 billion in the current period primarily included proceeds of 1.7

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billion from the sale of our stake in Areva NP S.A.S. in the second quarter of fiscal 2011, subsequently reduced by 0.7 billion in the third quarter of fiscal 2011 due to the arbitration decision as mentioned earlier. Proceeds from sales of investment, intangibles and property, plant and equipment also included the sale of our 49% minority stake in KMW and higher proceeds from real estate disposals at SRE than a year earlier. Cash outflows for acquisitions, net of cash acquired, of 300 million in fiscal 2011 relate primarily to several acquisitions of entities within Total Sectors to optimize our business portfolio. For comparison, the prior-year period included cash outflows of 434 million including 265 million for the acquisition of Solel Solar Systems, a concentrated solar power company.

Discontinued operations used net cash of 1.135 billion in investing activities in fiscal 2011, compared to net cash used of 532 million a year earlier. The current period included additions to intangible assets and property, plant and equipment mainly at OSRAM, as well as payments of 249 million related to OSRAM s acquisition of Siteco, a supplier of urban infrastructure lighting. Additional cash outflows of 0.4 billion related to the disposal of Siemens IT Solutions and Services, including the effects resulting from the transfer and the contribution of plan assets into separate pension plans in fiscal 2011.

Free cash flow from continuing and discontinued operations amounted to a positive 5.150 billion in fiscal 2011 compared to a positive 7.013 billion a year earlier.

Free cash flow from continuing operations amounted to a positive 5.885 billion in fiscal 2011, compared to a positive 7.043 billion a year earlier. The change year-over-year was due primarily to the decrease in net cash provided by operating activities as discussed above. Cash used for additions to intangible assets and property, plant and equipment increased from 1.954 billion in the prior-year period to 2.171 billion in the current period, due primarily to increased investments in the Industry Sector and at SRE, associated with its responsibility for uniform and comprehensive management of the real estate assets of Siemens worldwide.

Cash flows from financing activities Financing activities from continuing and discontinued operations used net cash of 5.443 billion in the fiscal 2011, compared to 2.646 billion of net cash used a year earlier.

Within the total, continuing operations used net cash of 6.867 billion in fiscal 2011, compared to net cash used of 2.826 billion a year earlier. The increase in cash outflows was due primarily to the redemption of 2.0 billion in 5.75% bonds that matured in July 2011, and a payment of 1.0 billion related to the binding offer to purchase additional shares in order to increase our stake in our publicly listed Indian subsidiary Siemens Ltd. from about 55% to a maximum of 75%. In addition dividends paid to shareholders (for fiscal 2010) in the current period were 2.356 billion, up from 1.388 billion paid (for fiscal 2009) in fiscal 2010. These cash outflows were partly offset by cash inflows from changes in short-term debt and other financing activities of 227 million, due mainly to cash inflows related to the settlement of financial derivatives used to hedge currency exposure in our financing activities. For comparison cash outflows from changes in short-term debt and other financing activities of 725 million in the prior year included higher repayments of commercial paper and payments related to the settlement of financial derivatives used to hedge currency exposure in our financing activities.

In fiscal 2011 we recorded cash outflows of 1.408 billion for financing of discontinued operations, compared to cash outflows of 187 million a year earlier. Discontinued operations are financed principally from Corporate Treasury. The item Financing discontinued operations includes these intercompany financing transactions.

CASH FLOW FISCAL 2010 COMPARED TO FISCAL 2009

The following discussion presents an analysis of our cash flows for fiscal 2010 and 2009 for both continuing and discontinued operations. Discontinued operations include primarily OSRAM and Siemens IT Solutions and Services, which were classified as discontinued operations during the second quarter of fiscal 2011. Prior periods are presented on a comparable basis.

We report Free cash flow as a supplemental liquidity measure, which is 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 that the presentation of Free cash flow provides useful information to investors because it gives an indication of the long-term cash-generating ability of our business and our ability to pay for discretionary and non-discretionary expenditures not included in the measure, such as dividends, debt repayment or acquisitions. We also use Free cash flow to compare cash generation among the segments of our business. Free cash flow should not be considered in isolation or as an alternative to measures of cash flow calculated in accordance with IFRS. For further information about the usefulness and limitations of this measure, see Item 5: Operating and financial review and prospects Supplemental financial measures.

		Continuing operations		Discontinued operations		Continuing and discontinued operations	
		Year ended September 30,					
Free cash flow		**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
		(in millions of)					
Net cash provided by (used in):[1]							
Operating activities	**A**	**8,997**	**6,246[3]**	**352**	**(145)**	**9,349**	**6,101[3]**
Investing activities		**(2,315)**	**(2,588)[3]**	**(532)**	**(574)**	**(2,847)**	**(3,162)[3]**
therein: Additions to intangible assets and property, plant and equipment	*B*	*(1,954)*	*(2,159)[3]*	*(382)*	*(301)*	*(2,336)*	*(2,460)[3]*
Free cash flow[1][2]	**A+B**	**7,043**	**4,087**	**(30)**	**(446)**	**7,013**	**3,641**

(1) For information regarding the line item Net cash provided by (used in) financing activities please refer to the discussion below.

(2) The closest comparable financial measure of Free cash flow under IFRS is the line item 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 in our Consolidated Statements of Cash Flow. The line item Additions to intangible assets and property, plant and equipment from continuing operations is reconciled to the figures as reported in the Consolidated Statements of Cash Flow in the Notes to Consolidated Financial Statements. Other companies that report Free cash flow may define and calculate this measure differently.

(3) Following a change in accounting pronouncements as of the beginning of fiscal year 2010 additions to assets held for rental in operating leases, which were previously reported under the line item Additions to intangible assets and property, plant and equipment, were retrospectively reclassified from the line item Net cash provided by (used in) investing activities to the line item Net cash provided by (used in) operating activities. For further information, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Cash flows from operating activities Operating activities in continuing and discontinued operations provided net cash of 9.349 billion in fiscal 2010, compared to net cash provided of 6.101 billion a year earlier.

Within the total, continuing operations provided net cash of 8.997 billion, compared to net cash provided of 6.246 billion in fiscal 2009. In fiscal 2010 Total Sectors Profit was burdened by impairment charges of 1.204 billion, posted at Diagnostics in the fourth quarter, which had no impact on cash flow. Cash flows from operating activities were supported by a strong operating performance in the Sectors (disregarding the impairment charges), particularly in the Healthcare and Industry Sectors. Cash flows from operating activities also benefited from positive changes in net working capital including substantially higher billings in excess of costs, particularly in the Energy Sector, compared to a decrease of these payments in fiscal 2009. In contrast, fiscal 2010 included higher cash outflows related to income taxes and pension plans. Both periods included approximately 0.6 billion in outflows related to staff reduction measures. For comparison, negative changes in net working capital in fiscal 2009 included 1.008 billion in cash outflows paid to authorities in the U.S. and Germany associated with the settlement of legal proceedings and substantial payments for charges related to project reviews in Fossil Power Generation and Mobility.

Discontinued operations improved to net cash provided of 352 million in fiscal 2010, compared to net cash used of 145 million in the prior-year period. The cash inflows in fiscal 2010 relate primarily to OSRAM partly offset by cash outflows related to Siemens IT Solutions and Services and former Com activities.

Cash flows from investing activities Investing activities in continuing and discontinued operations used net cash of 2.847 billion in fiscal 2010, compared to net cash used of 3.162 billion in the prior-year period.

Within the total, net cash used in investing activities for continuing operations amounted to 2.315 billion in fiscal 2010 and 2.588 billion a year earlier. Within continuing operations, cash outflows for Acquisitions, net of cash acquired, were 434 million including 265 million for the acquisition of Solel Solar Systems, a solar thermal power technology company. Compared to a year earlier, higher early terminations and reduced SFS

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financing activities resulted in lower cash outflows relating to receivables from financing activities. Proceeds from sales of investments, intangibles and property, plant and equipment provided net cash of 585 million primarily due to the sale of land and buildings at SRE and the sale of our 25% minority stake in Dräger Medical AG & Co. KG to the majority shareholder Drägerwerk AG & Co. KGaA. For comparison the prior-year period included net cash provided of 1.213 billion mainly from the sale of our residential real estate holdings Siemens Wohnungsgesellschaft mbH & Co. OHG and the sale of our 50% stake in FSC to Fujitsu Limited. In contrast, cash outflows for purchases of investments of 956 million a year earlier included 750 million resulting from a drawdown request by NSN under a Shareholder Loan Agreement between Siemens and NSN.

Discontinued operations in fiscal 2010 used net cash of 532 million for investing activities primarily for OSRAM and Siemens IT Solutions and Services. In the prior year, discontinued operations used net cash of 574 million. In fiscal 2009, cash outflows related primarily to OSRAM and Siemens IT Solutions and Services and also to the fiscal 2005 divestment of our mobile devices business including 0.3 billion for a settlement with the insolvency administrator of BenQ Mobile GmbH & Co. OHG as well as cash outflows related to the settlement of legal matters. Cash outflows from discontinued operations in fiscal 2009 were partially offset by cash inflows resulting from a settlement between The Gores Group and us regarding pending requirements for purchase price adjustments and further mutual obligations related to the disposal of the former enterprise networks business.

Free cash flow from continuing and discontinued operations amounted to a positive 7.013 billion in fiscal 2010, compared to a positive 3.641 billion a year earlier.

Total Free cash flow from continuing operations in fiscal 2010 amounted to a positive 7.043 billion, compared to a positive 4.087 billion in fiscal 2009. The change year-over-year was due primarily to the increase in net cash provided by operating activities as discussed above. Due to continuing tight control of capital spending, cash used for additions to intangible assets and property, plant and equipment decreased to 1.954 billion from 2.159 billion a year earlier.

Cash flow from financing activities Financing activities from continuing and discontinued operations used net cash of 2.646 billion in fiscal 2010, compared to a net cash inflow of 375 million a year earlier.

Within the total, continuing operations used net cash of 2.826 billion in fiscal 2010, compared to net cash used of 344 million in fiscal 2009. In fiscal 2010 changes in short-term debt and other financing activities used net cash of 725 million resulting mainly from the repayment of outstanding commercial paper and the settlements of financial derivatives used to hedge currency exposure in our financing activities. Fiscal 2009 included inflows of 4.0 billion from the issuance of medium-term notes partly offset by the repayment of a 0.5 billion floating-rate extendible note and US$750 million in floating rate notes. Dividends paid to shareholders (for fiscal 2009) in fiscal 2010 amounted to 1.388 billion, compared to 1.380 billion (paid for fiscal 2008) a year earlier.

In fiscal 2010 we recorded cash outflows of 187 million for financing of discontinued operations, compared to cash outflows of 792 million in fiscal 2009. Discontinued operations are financed principally from Corporate Treasury. The item Financing discontinued operations includes these intercompany financing transactions.

Capital resources and requirements

Siemens **capital resources** consist of a variety of short- and long-term financial instruments including, but not limited to, loans from financial institutions, commercial paper, medium-term notes and bonds. In addition to cash and cash equivalents and to available-for-sale financial assets, liquid resources consist of future cash flows from operating activities.

Our **capital requirements** include, among others, scheduled debt service, regular capital spending, ongoing cash requirements from operating and SFS financing activities, including higher cash outflows related to the announced growth strategy of SFS, dividend payments, pension plan funding, portfolio activities, and cash outflows in connection with restructuring measures.

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Total debt comprises our Notes and bonds, Loans from banks, Obligations under finance leases and Other financial indebtedness such as commercial paper. Total debt comprises Short-term debt and current maturities of long-term debt as well as Long-term debt, as stated on the Consolidated Statements of Financial Position. **Total liquidity** refers to the liquid financial assets we had available at the respective balance sheet dates to fund our business operations and pay for near-term obligations. Total liquidity comprises Cash and cash equivalents as well as current Available-for-sale financial assets, as stated on the Consolidated Statements of Financial Position. **Net debt** results from total debt less total liquidity. Management uses the Net debt measure for internal corporate finance management, as well as for external communication with investors, analysts and rating agencies, and accordingly we believe that presentation of Net debt is useful for those concerned. Net debt should not, however, be considered in isolation or as an alternative to short-term debt and long-term debt as presented in accordance with IFRS. For further information about the usefulness and limitations of Net debt, see Item 5: Operating and financial review and prospects Supplemental financial measures.

	September 30, 2011	2010
	(in millions of)	
Short-term debt and current maturities of long-term debt	3,660	2,416
Long-term debt	14,280	17,497
Total debt	**17,940**	**19,913**
Cash and cash equivalents	(12,468)	(14,108)
Available-for-sale financial assets (current)	(477)	(246)
Total liquidity	**(12,945)**	**(14,354)**
Net debt(1)	**4,995**	**5,560**

(1) We typically need a considerable portion of our cash and cash equivalents as well as current available-for-sale financial assets at any given time for purposes other than debt reduction. The deduction of these items from total debt in the calculation of Net debt therefore should not be understood to mean that these items are available exclusively for debt reduction at any given time. Net debt comprises items as stated on the Consolidated Statements of Financial Position.

The changes in Net debt from fiscal 2010 to 2011 may also be presented as follows:

Commercial paper program We have a US$9.0 billion (6.7 billion) global multi-currency commercial paper program in place, which includes the ability to issue US$-denominated extendible notes. In fiscal 2011 we issued commercial paper in varying amounts to fund our ongoing short-term capital requirements. Our issuances of commercial paper typically have a maturity of less than 90 days. As of September 30, 2011, we had no commercial paper outstanding. All commercial paper issued in fiscal 2011 was completely repaid within the year.

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Notes and bonds We have a program for the issuance of debt instruments (debt issuance program, formerly called medium-term note program) of 15.0 billion in place which we updated in May 2011. Under this program, we issued the following instruments:

In February 2009, we issued 4.0 billion in fixed-interest rate instruments in two tranches comprising 2.0 billion in 4.125% instruments due in February 2013 and 2.0 billion in 5.125% instruments due in February 2017.

In June 2008, we issued 3.4 billion in fixed interest rate instruments in three tranches, comprising: 1.2 billion in 5.25% instruments due in December 2011; 1.0 billion in 5.375% instruments due in June 2014 and 1.2 billion in 5.625% instruments due in June 2018.

In August 2008, we increased two tranches of the 3.4 billion instruments by 750 million, including 350 million in 5.25% instruments due in December 2011 and 400 million in 5.625% instruments due in June 2018.

In March 2006, we issued US$1.0 billion in notes in two tranches comprising US$500 million in floating rate notes (three months London Interbank Offered Rate + 0.15%) due in March 2012 and US$500 million in 5.625% notes due in March 2016.

The nominal amount outstanding under the debt issuance program was 8.9 billion as of September 30, 2011.

In September 2006, we issued a subordinated hybrid bond in two tranches, a euro tranche of 900 million in 5.25% notes and a British pound tranche of £750 million in 6.125% notes, both tranches with a final legal maturity in September 2066. The company has a call option after ten years or thereafter. If the bond is not called, both tranches will become floating rate notes according to the conditions of the bond. The total nominal amount of our hybrid bond is 1.8 billion.

In August 2006, we issued notes totaling US$5.0 billion. These notes were issued in four tranches comprising: US$750 million in floating rate notes (three months London Interbank Offered Rate + 0.05%) due in August 2009, which were redeemed at face value at their maturity date; US$750 million in 5.5% notes due in February 2012; US$1.750 billion in 5.75% notes due in October 2016 and US$1.750 billion in 6.125% notes due in August 2026. We may redeem, at any time, all or some of the fixed rate notes at the early redemption amount (call) according to the conditions of the notes. The nominal amount of these notes outstanding as of September 30, 2011 was 3.1 billion.

In June 2001, the Company issued a bond with an aggregate amount of 4.0 billion comprising two tranches. The outstanding second tranche, 2.0 billion in 5.75% bonds matured in July 2011, was redeemed at face value.

Assignable loans In June 2008, we issued four series of assignable loans with an aggregate amount of 1.1 billion: 370 million in floating rate notes (six months European Interbank Offered Rate + 0.55%) and 113.5 million in 5.283% notes, both maturing in June 2013 and 283.5 million in floating rate notes (six months European Interbank Offered Rate + 0.7%) and 333 million in 5.435% notes, both maturing in June 2015.

Both floating rate tranches were called in August 2011 and will be redeemed in December 2011.

Credit facilities We have three credit facilities at our disposal for general corporate purposes. Our credit facilities as of September 30, 2011, consist of 7.1 billion in committed lines of credit. These facilities include:

a US$5.0 billion (3.7 billion) undrawn syndicated multi-currency revolving credit facility expiring March 2012 provided by a syndicate of international banks;

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

a US$4.0 billion syndicated multi-currency credit facility expiring August 2013 provided by a syndicate of international banks. This facility comprises a US$1.0 billion (0.7 billion) term loan which was drawn in January 2007 and is due in August 2013 as well as an undrawn US$3.0 billion (2.2 billion) revolving tranche.

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As of September 30, 2011, 6.4 billion of these lines of credit remained unused.

The maturity profile of the loans, notes and bonds described above is presented below:

The US$4 billion and US$5 billion syndicated multi-currency revolving credit facilities provide their lenders with a right of termination in the event that (1) Siemens AG becomes a subsidiary of another company or (2) an individual or a group of individuals acting in concert acquires effective control over Siemens AG by being able to exercise decisive influence over its activities. The 450 million bilateral revolving credit facility may be terminated by the lender if major changes in Siemens AG s corporate legal situation occur that jeopardize the orderly repayment of the credit.

None of our credit facilities contains a material adverse change provision of the type often found in facilities of such nature and none of our global commercial paper and debt issuance 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.

Further information about our bonds and the other components of our debt as well as about our financial risk management and the use of financial instruments for hedging purposes is provided in Item 18: Financial Statements Notes to Consolidated Financial Statements.

Capital expenditures Capital expenditures from continuing operations increased from 2.576 billion in the prior year to 2.753 billion in fiscal 2011, due primarily to increased capital expenditures in the Industry Sector, related to efforts to increase market share and to secure leadership in technology-driven growth markets and in SRE, associated with SRE s responsibility for a uniform and comprehensive management of real estate for our company worldwide. Capital expenditures include additions to intangible assets and property, plant and equipment and additions to assets held for rental in operating leases as presented in the Consolidated Statements of Cash Flow. 1.809 billion of our capital expenditures relates to our three Sectors. 944 million relates mainly to SRE, and to SFS, primarily associated with operating leases.

We directed significant portions of our capital expenditures in fiscal 2011 to expand capacities in strategic growth markets, particularly including emerging markets; to safeguard or enhance market share; and to secure leadership or competitiveness in technology-driven growth markets. Industry spent a large portion of its capital expenditures of 688 million for innovation, extension and replacement of technical equipment and machines primarily at Drive Technologies, Industry Automation and Building Technologies. Drive Technologies focused on the extension relating to its drive systems. Industry Automation used the major amount for the modernization of technical equipment and machines. Building Technologies used a considerable amount for innovation relating to power distribution as well as infrastructure solutions. Energy s main focus for capital expenditures of total 634 million related to the extension of capacities such as for the technology-driven wind power market. Considerable amounts at Energy were also used for the extension related to technical equipment and machines particularly at Power Transmission. Healthcare used its capital expenditure of 487 million in fiscal 2011

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primarily for development of software and IT solutions and making investments for additions to assets held for rental in operating leases relating to Diagnostics products.

The changes of capital expenditures from fiscal 2011 to 2010 are as follows:

The capital expenditure rate for our Total Sectors was 93% for fiscal 2011. The capital expenditure rate is the ratio of the items Additions to intangibles assets and property, plant and equipment and Additions to assets held for rental in operating leases to depreciation and impairments of property, plant and equipment, net of reversals of impairments as well as amortization and impairments of intangible assets, net of reversals of impairments as presented in Item 18: Financial Statements Notes to Consolidated Financial Statements. Goodwill impairment is excluded. Our mid-term target is to keep our capital expenditure rate in the range of 95% to 115%.

The capital expenditure rates for our Total Sectors for fiscal 2011 and fiscal 2010 are as follows:

Dividend At the Annual Shareholders Meeting scheduled for January 24, 2012, the Managing Board, in agreement with the Supervisory Board, will submit the following proposal to allocate the unappropriated net income of Siemens AG for the fiscal year ended September 30, 2011: distribution of a dividend of 3.00 on each no-par value share entitled to the dividend for fiscal year 2011 existing at the date of the Annual Shareholders Meeting, which in the aggregate amounts to an at present expected total distribution of approximately 2.6 billion, with the remaining amount to be carried forward.

Other capital resources and requirements Two major portfolio transactions are expected to have a major influence on our cash flows from discontinued operations in fiscal 2012. We expect that the disposal of Siemens IT Solutions and Services in fiscal 2011 will occasion significant cash outflows in coming quarters that might reach a high triple-digit million amount. These cash outflows consist, among other things, of extensive support that Siemens is providing in order to foster Siemens IT Solutions and Services business success including for integration and training costs as well as further protections and guarantees. In addition, we expect, that the planned public offering of OSRAM AG will result in substantial cash inflows. Furthermore, our capital requirements also include higher cash outflows in coming quarters from measures at the Healthcare Sector aimed at improving its competitive position and from the effects related to the reevaluation of the commercial feasibility of particle therapy for general patient treatment, following the Healthcare Sector s decision to shift the focus of certain particle therapy projects primarily to research.

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With our ability to generate positive operating cash flows, our total liquidity of 12.945 billion and our 6.4 billion in undrawn lines of credit and given our credit ratings at year-end we believe that we have sufficient flexibility to fund our capital requirements including scheduled debt service, regular capital spending, ongoing cash requirements from operating and SFS financing activities, dividend payments, pension plan funding and portfolio activities. Also in our opinion, our working capital is sufficient for the Company s present requirements.

Contractual obligations

In the ordinary course of business, Siemens primary contractual obligations regarding cash relate to debt, purchase obligations and operating leases.

The following table summarizes our contractual obligations as of September 30, 2011 that will result in future cash outflows:

	Payments due by period				
	Total	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
			(in millions of)		
Debt	17,940	3,660	4,132	2,826	7,322
Purchase obligations	20,120	12,349	3,784	1,614	2,373
Operating leases	3,068	716	962	564	826
Total contractual obligations	**41,128**	**16,725**	**8,878**	**5,004**	**10,521**

Debt At September 30, 2011, Siemens had 17.940 billion of short- and long-term debt, of which 3.660 billion will become due within the next twelve months. Short-term debt includes current maturities of long-term debt, as well as loans from banks coming due within the next twelve months. Further information about the components of debt is given in Item 18: Financial Statements Notes to Consolidated Financial Statements.

Debt for Siemens at September 30, 2011 consisted of the following:

	Short-term	**Long-term**	**Total**
		(in millions of)	
Notes and bonds	2,495	12,651	15,146
Loans from banks	1,128	1,354	2,482
Other financial indebtedness	21	146	167
Obligations under finance leases	16	129	145