SIEMENS AKTIENGESELLSCHAFT
Form 6-K
November 08, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 6-K
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934
November 8 , 2007

Commission File Number: 1-15174

Siemens Aktiengesellschaft

(Translation of registrant s name into English)

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

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

Form 20-F þ Form 40-F o

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

Yes o No þ

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

Yes o No þ

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

Yes o No þ

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Press Presse Prensa

For the business and financial press

Munich, November 7, 2007

Siemens sets capital structure target and announces a share buyback program for up to 10 billion by 2010

In the framework of its Fit for 2010 program, Siemens has set a target for an optimized capital structure. It will be measured as the ratio of adjusted industrial net debt to EBITDA. The capital structure target should be in a target range between 0.8 and 1.0 by 2010. This step completes Siemens financial target system as defined in the Fit for 2010 program, while maintaining our traditionally solid financial position. At the same time, we are optimizing our capital structure on the basis of comprehensive analyses of competitors, said Siemens CFO Joe Kaeser.

In a move to achieve the target, Siemens simultaneously announced it is launching an extensive share buyback program. As a result of the strong cash flow from operations and the size of the expected proceeds from the sale of Siemens VDO, we see potential for optimizing our capital structure. We therefore foresee a share buyback program with a total volume of up to 10 billion by 2010. Ultimately, we believe that a more efficient capital structure will strengthen EPS growth while ensuring cost-effective access to capital as well as strategic flexibility, said Siemens CEO Peter Löscher.

Through resolution of the Shareholders Meeting of January 25, 2007, Siemens AG is authorized pursuant to section 71 para.1 no. 8 of the German Stock Corporation Act (Aktiengesetz, AktG) to acquire own shares up to 10% of the its capital stock until July 24, 2008. Within this authorization the Managing Board has adopted a share buy back program which has been approved by the Supervisory Board.

Accordingly this allows to acquire by purchase over the stock exchange up to a maximum of 82 million shares of Siemens AG for the purpose of cancellation and reduction of capital stock as well as to buy back up to a maximum of 7 million shares of Siemens AG to fulfill obligations arising out of stock compensation programs. On the basis of the current share price this amounts to a volume of approximately EUR 8.5 billion.

Timing and details regarding the start of the share buy back program will be announced separately. The buy back will be carried out lead-managed by banks and will be executed pursuant to the Regulation (EC) no. 2273/2003 of the Commission of December 22, 2003.

Siemens intends that the Managing Board and the Supervisory Board will propose at the Shareholders Meeting to be held on January 24, 2008 to renew the authorization to buy back shares of up to 10 % of the share capital.

On EBITDA and other definitions please visit www.siemens.com/investorrelations.

Siemens plans to publish its fiscal 2007 figures (based on IFRS) on November 8, 2007, at 7:15 a.m. (CET). The Annual Press Conference will be held on the same day in Munich, beginning at 10:00 a.m. (CET). Further information will be available in the live Webcast of the press conference at: www.siemens.com/pressekonferenz. An analyst conference will follow on November 9, 2007, in London and can also be seen as a live Webcast at: www.siemens.com/investorrelations.

Siemens AG
Corporate Communications and Government Affairs
Media Relations
80312 Munich

Reference number: AXX200711.8e
Constantin Birnstiel
80312 Munich
Tel.: +49 89 636-36669; Fax: -32825
E-Mail: constantin.birnstiel@siemens.com

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Press Presse Prensa

For the business and financial press
Munich, Germany, November 8, 2007

Siemens to raise target margin ranges for Operations

Siemens is raising the target margin ranges for its operating units. We re convinced that the creation of new structures within the three planned Sectors Energy, Industry and Healthcare will make our company less complex, more transparent, more focused and, therefore, faster and more successful. As a result, it s also clear we ll exceed the current goals of our Fit for 2010 program, said Peter Löscher, Siemens CEO. The new target margin ranges for the future Energy and Industry Sectors will be announced at the end of January 2008. Effective immediately, the target margin range for the Medical Solutions Group (Med) will be raised to 14-17% from the current 13-15%. In the course of the restructuring, Siemens also intends to reduce selling, general and administrative costs, as a percentage of sales, 10-20% by 2010.

If approved by the Supervisory Board on November 28, 2007, implementation of the new company structure will begin in January 2008. External financial reporting on the basis of the new structure will begin in the second half of fiscal 2008. Financial information will be reported at the Sector level and below. We re again making our financial reporting considerably more transparent than it is today, said Löscher.

The Energy Sector will essentially comprise the Groups Power Generation (PG) and Power Transmission and Distribution (PTD). This Sector will target a highly attractive market, which is growing at 11% a year. Siemens expects the market s total volume to be well above 300 billion by 2010.

The Industry Sector will comprise the business activities of Automation and Drives (A&D), Industrial Solutions and Services (I&S), Transportation Systems (TS), Siemens Building Technologies (SBT) and Osram. Siemens assumes that the Sector s markets will grow 5% a year to reach a total volume of nearly 500 billion by 2010.

The Healthcare Sector will comprise the Medical Solutions Group (Med). Med s latest acquisitions have more than doubled its market to 57 billion and enabled the Group to tap attractive new segments.

Siemens IT Solutions and Services and Siemens Financial Services (SFS) will continue to operate as cross-sector businesses.

The planned new structure will generate considerable synergy potentials. We re going to precisely define how staff functions are assigned to the various levels in the new structure, said Peter Löscher, with reference to the selling, general and administrative costs, which totaled some 17% of sales in fiscal 2007.

Siemens AG
Corporate Communications and Government Affairs
Media Relations
80312 München

Informationsnummer: AXX200711.12 e
Marc Langendorf
80312 München
Tel.: +49 89 636-37035; Fax: -32825
E-Mail: marc.langendorf@siemens.com

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Key figures[1][2] Fiscal 2007

Effective with the first quarter of fiscal 2007, Siemens prepares its primary financial reporting according to International Financial Reporting Standards (IFRS) on a retroactive basis.

(in millions of , except where otherwise stated)

Profit and Growth	Q4 2006	Q4 2007	*% change Actual*	*% change Adjusted[3]*	FY 2006	FY 2007	*% change Actual*	*% change Adjusted[3]*
Continuing Operations								
New Orders	17,575	21,328	21	19	74,944	83,916	12	13
Revenue	18,471	20,201	9	8	66,487	72,448	9	10
Total Operations Group								
Group Profit from Operations	749	1,990	166		3,867	6,560	70	
in % of revenue	3.8%	9.3%			5.5%	8.6%		
EBITDA adjusted	1,201	2,596	116		5,367	8,716	62	
in % of revenue	6.1%	12.1%			7.6%	11.4%		
Continuing Operations								
EBITDA adjusted	967	2,389	147		5,074	7,686	51	
Income from continuing operations	139	1,394	>200		2,642	3,909	48	
Basic earnings per share (in euros)[5]	0.10	1.45	>200		2.78	4.13	49	
Continuing and Discontinued Operations[4]								
Net Income	148	(74)			3,345	4,038	21	
Basic earnings per share (in euros)[5]	0.10	(0.17)			3.52	4.24	20	

Return on Capital Employed	Q4 2006	Q4 2007	FY 2006	FY 2007
Continuing Operations				
Return on capital employed (ROCE)	1.9%	15.5%	9.6%	12.7%
Continuing and Discontinued Operations[4]				
Return on capital employed (ROCE)	1.7%	(0.7)%	10.5%	10.9%

Free Cash Flow / Cash Conversion	Q4 2006	Q4 2007	FY 2006	FY 2007
Total Operations Groups				
Free Cash Flow	1,293	3,149	2,806	7,037
Cash Conversion	1.73	1.58	0.73	1.07
Continuing Operations				
Free Cash Flow	963	2,553	1,820	6,755
Cash Conversion	6.93	1.83	0.69	1.73
Continuing and Discontinued Operations[4]				
Free Cash Flow	1,464	2,099	1,607	3,577
Cash Conversion	9.89	> 1	0.48	0.89

Net Debt / Capital Structure	FY 2006	FY 2007
Net Debt	4,487	11,299

(1) Preliminary and unaudited. Prior-year numbers have been adjusted for the retroactive presentation of Siemens VDO Automotive (SV) in discontinued operations, income tax charges relating to compliance matters and an adjustment of Medical Solutions Group profit.

(2) EBITDA adjusted, Return on capital employed, Return on equity, Free cash flow, Cash conversion, Net debt and adjusted industrial net debt are non-GAAP financial measures. A reconciliation of these amounts to the most directly comparable IFRS financial measures is available on our Investor Relations website under www.siemens.com/ir, Financial Publications, Quarterly Reports. Group profit from operations is reconciled to income before income taxes of Operations under Reconciliation to financial statements in the table Segment Information.

(3) Adjusted for portfolio and currency translation effects.

(4) Discontinued operations consist of SV activities as well as of carrier networks, enterprise networks and mobile devices activities.

(5) Earnings per share attributable to shareholders of Siemens AG.

(6) Continuing and discontinued operations.

Earnings Release
Munich, November 8, 2007

Strong Growth, Higher Margins

Operations delivers nearly 2 billion in Q4 Group profit

Continuing operations generate EPS of 1.45 in Q4

Siemens in the Fourth Quarter of Fiscal 2007

- **Group profit from Operations was 1.990 billion, driven up sharply year-over-year by rising profits and earnings margins at all Groups.**

- **Income from continuing operations also climbed significantly, to 1.394 billion. EPS from continuing operations was 1.45 compared to 0.10 a year earlier.**

- **Net income was a negative 74 million due to non-operating items in discontinued operations, including approximately 1.0 billion in tax expense related to the carve-out of Siemens VDO Automotive. EPS was a negative 0.17 compared to a positive 0.10 a year earlier.**

- **Siemens continued to grow more than twice as fast as global GDP. Revenue was up 9% compared to the prior-year quarter, at 20.201 billion, and orders climbed 21%, to 21.328 billion.**

- **Free cash flow rose to 2.553 billion for the quarter, on higher income from continuing operations and a substantial improvement in net working capital year-over-year.**

- **Siemens announced plans for a 10 billion share repurchase program, and proposed a dividend for fiscal 2007 of 1.60 per share compared to 1.45 per share in the prior year.**

The fourth quarter demonstrates the kind of quality growth Siemens can generate, said Siemens CEO Peter Löscher. We expanded our business in all regions of the world, and all our operating Groups reached their Fit 4 2010 target margin ranges. This success in turn produced a strong increase in free cash flow. Net income was significantly impacted by tax expense related to the carve-out of Siemens VDO Automotive.

At the corporate level, one of our plans for the year ahead is to make our balance sheet more efficient. We are therefore announcing a capital structure target ratio based on net industrial debt and EBITDA. To meet this midterm target, we are taking advantage of our strong cash position to return value to shareholders through a share buyback program, which we will conduct over the next three years up to a total of approximately 10 billion. Ultimately, we believe that a more efficient capital structure will strengthen EPS growth while ensuring cost-effective access to capital as well as strategic flexibility.

Operationally, we expect more quality growth in fiscal 2008. Specifically, we anticipate volume growth that is twice as high as the rate of global GDP growth, and that our operating profit will grow at least twice as fast as our volume. Siemens remains very well positioned in dynamic world markets for solutions in industry, energy, and healthcare.

Income and Group Profit

Group profit from Operations climbed on higher profitability and rising revenue. With increased operating leverage from improved cost structures and successful acquisitions in recent quarters, the Groups in Operations benefited substantially from higher revenue worldwide. The result was 1.990 billion in Group profit, compared to 749 million in the fourth quarter a year earlier. All nine Groups within Operations posted significantly higher Group profit and profit margins year-over-year.

Income from continuing operations was up strongly year-over-year. Substantially higher Group profit from operations resulted in a strong increase in income from continuing operations, which climbed to 1.394 billion from 139 million in the prior-year period. Earnings per share (EPS) from continuing operations rose to 1.45 compared to 0.10 a year earlier. Financing & Real Estate and Corporate Treasury generated 119 million in income before income tax in the quarter, compared to 129 million in the prior-year period.

Net income was adversely affected by non-operating items in discontinued operations. Discontinued operations reduced net income by 1.468 billion in the fourth quarter, in large part because of the inclusion of Siemens VDO Automotive (SV) pending the close of its sale to Continental AG. Siemens recorded approximately 1.0 billion in tax expense associated with the SV carve-out. Other non-operating effects in discontinued operations include a penalty of 201 million imposed by German authorities in ending their investigation of past misconduct at the former Communications Group (Com). As a result, net income was a negative 74 million for the quarter compared to a positive 148 million in the prior-year period. Basic and diluted EPS for the current period were (0.17) and (0.19), respectively. A year earlier, both basic and diluted EPS in the fourth quarter were 0.10.

Orders and Revenue

Siemens delivered strong organic growth with excellent regional balance. With significant operations in all major regions and countries of the world, Siemens benefited strongly from favorable macroeconomic conditions in the fourth quarter. Revenue rose 9% compared to the prior-year period, to 20.201 billion, and orders climbed 21%, to 21.328 billion. On an organic basis, excluding the net effect of currency translation and portfolio transactions, revenue rose 8% year-over-year and orders climbed 19%. Growth in the Asia-Pacific region remained robust, with revenue up 19% and orders up 62%. Europe (including Germany) also had a strong quarter, with 7% growth in revenue and 26% growth in orders. The region comprised of Africa, the Near and Middle East and the Commonwealth of Independent States (C.I.S.) posted 19% revenue growth and accounted for nearly 10% of Siemens revenue in the fourth quarter. These above-mentioned regions more than made up for slower growth in the Americas, where market conditions in the U.S. changed significantly compared to the prior-year quarter. Revenue and orders in the Americas each grew 6% year-over-year despite strong adverse currency effects, partly offset by new revenue from acquisitions between the periods under review.

Cash and Return on Capital Employed (ROCE)

The cash conversion rate for the quarter was well above target. Free cash flow from continuing operations for the fourth quarter was 2.553 billion, up from 963 million in the same quarter a year earlier. This increase was driven by substantially higher income from continuing operations compared to the prior-year period, as well as higher cash inflows resulting from net working capital. The resulting cash conversion rate for the quarter was 1.83, well above the target rate of 0.92.

ROCE for fiscal 2007 was 12.7%. A year earlier, Siemens ROCE was 9.6%. ROCE development in fiscal 2008 will be affected by a substantial increase in capital employed, stemming from major acquisitions completed or announced in fiscal 2007. Siemens medium-term target for ROCE remains 14-16%.

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Legal and regulatory matters in the fourth quarter

The Munich district court imposed a fine of 201 million on Siemens, marking the end of the investigation at Com by the Munich Office of Public Prosecution insofar as it relates to Siemens AG. Siemens recorded the fine in the fourth quarter of fiscal 2007. In addition Siemens reached a final settlement with German tax authorities regarding questionable payments made under Business Consulting Agreements (BCAs), under other agreements with third-party intermediaries, and to other parties in fiscal years 2000-2006. A total of 449 million in questionable payments at Com have been determined to be non-deductible, resulting in a tax charge of 179 million. Siemens previously recorded 168 million for tax charges in its consolidated financial statements for fiscal 2006, corresponding to non-deductible payments of 417 million.

During the fourth quarter of fiscal 2007, Siemens substantially completed its analysis of the tax deductibility of questionable payments at Groups other than Com and in regional companies, also for fiscal years 2000-2006. This analysis identified in fiscal 2007 an additional 857 million in non-tax-deductible payments. Accordingly, Siemens recorded additional income tax expense of 339 million and adjusted corresponding amounts in prior periods in the consolidated financial statements for fiscal 2007. The majority of the tax total relates to payments prior to fiscal 2005, which reduces shareholders equity as of October 1, 2004. There is no impact from these tax charges on Siemens income statement for fiscal 2007.

Taking continuing operations and discontinued operations together, expenses for outside advisors engaged by Siemens in connection with investigations into alleged violations of anti-corruption laws and related matters as well as remediation activities amounted to 159 million in the fourth quarter and 347 million in fiscal 2007. More detailed information regarding compliance matters is provided in the document Legal Proceedings.

Operations in fiscal 2007

Automation and Drives (A&D): Robust Global Growth and Operating Leverage

	Fourth quarter ended September 30,				Fiscal year ended September 30,			
			% Change				% Change	
(in millions)	2007	2006	Actual	Adjusted*	2007	2006	Actual	Adjusted**
Group profit	607	427	42%		2,090	1,575	33%	
Group profit margin	13.8%	11.8%			13.6%	12.1%		
Revenue	4,403	3,609	22%	16%	15,389	13,041	18%	16%
New orders	4,351	3,520	24%	18%	16,794	14,312	17%	16%

* Excluding currency translation effects of (1)% on revenue and orders, and portfolio effects of 7% on revenue and orders.

** Excluding currency translation effects of (2)% on revenue and

orders, and portfolio effects of 4% and 3% on revenue and orders, respectively.

A&D completed an excellent year with an outstanding fourth quarter. Group profit for the final three months jumped 42% compared to the prior-year quarter, to 607 million. The Large Drives, Mechanical Drives and Motion Control Systems divisions all demonstrated strong operating leverage with expanded revenue, resulting in significantly increased earnings. Purchase price accounting (PPA) effects associated with the Group s acquisitions of UGS Corp. (in May 2007) and Flender Holding GmbH (in fiscal 2005) sliced 63 million from Group profit, and A&D posted an additional 12 million in integration costs. These negative impacts together took 170 basis points from Group profit margin for the quarter. Revenue for A&D overall reached a new quarterly high, at 4.403 billion. Orders rose even faster, climbing 24% to 4.351 billion. A&D generated its topline growth on a worldwide basis. Revenue rose 32% in Asia-Pacific, 26% in Germany, 20% in Europe outside Germany and 16% in the Americas. These results include new volume from UGS, a leading provider of product lifecycle management (PLM) software which A&D acquired to complement and extend its existing software capabilities.

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This business got off to a good start within A&D, launching its technology integration and winning new customers for the Group.

On a full-year basis, A&D increased its Group profit 33%, to 2.090 billion. The Group gained operating leverage on rising volume, and profitability increased year-over-year even though 143 million in PPA effects and 23 million in integration costs clipped 110 basis points from Group profit margin. Revenue for fiscal 2007 climbed 18% to 15.389 billion, and orders rose 17% to 16.794 billion. Topline growth was geographically broad-based and benefited from the UGS acquisition.

Industrial Solutions and Services (I&S): ***Groupwide Increase in Profitability***

	Fourth quarter ended September 30,				**Fiscal year ended September 30,**			
			% Change				**% Change**	
(in millions)	**2007**	**2006**	**Actual**	**Adjusted***	**2007**	**2006**	**Actual**	**Adjusted****
Group profit	130	61	113%		415	282	47%	
Group profit margin	5.2%	2.5%			4.7%	3.2%		
Revenue	2,500	2,477	1%	2%	8,894	8,819	1%	3%
New orders	2,168	2,129	2%	3%	10,161	9,025	13%	15%

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

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

I&S closed fiscal 2007 with its strongest quarter of the year, more than doubling Group profit to 130 million. Earnings and profitability improved in all divisions compared to the prior-year quarter, most notably in the industrial services, water, and oil and gas businesses. As a result, the Group added 270 basis points to its quarterly Group profit margin. Industry-wide resource constraints and lower revenue in the postal automation business held back topline growth, as revenue rose to 2.500 billion and orders increased to 2.168 billion.

Full-year results for I&S showed similar trends, including sharply higher Group profit on restrained growth in revenue. Group profit climbed to 415 million, a 47% increase year-over-year, and both earnings and margins improved throughout the Group. Revenue for I&S overall was up 1% year-over-year, at 8.894 billion. Strong demand in the Americas and Asia-Pacific helped take orders up 13%, to 10.161 billion, for a book-to-bill ratio of 1.14 for the

full fiscal year.

Siemens Building Technologies (SBT): Profiting From Higher-Margin Business

	Fourth quarter ended September 30,				Fiscal year ended September 30,			
			% Change				% Change	
(in millions)	2007	2006	Actual	Adjusted*	2007	2006	Actual	Adjusted**
Group profit	102	77	32%		354	223	59%	
Group profit margin	7.5%	5.5%			7.0%	4.6%		
Revenue	1,353	1,403	(4)%	(1)%	5,062	4,796	6%	8%
New orders	1,331	1,402	(5)%	(2)%	5,350	5,235	2%	5%

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

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

SBT delivered its highest quarterly Group profit of the year in the fourth quarter, at 102 million, and also added more than 200 basis points to Group profit margin compared to the prior-year period. These results demonstrate the Group s focus on reducing costs, improving execution and winning higher-margin business.

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This trend was most evident in SBT s building automation business, which more than doubled profitability compared to the same quarter a year earlier. For SBT as a whole, more selective order intake was evident in revenue of 1.353 billion, a modest decline compared to the prior-year quarter. Orders of 1.331 billion came in 5% below the fourth quarter a year ago. Key factors in this result included adverse currency translation effects and a slowdown in the U.S., which pulled U.S. orders down 15% year-over-year.

SBT s progress was even more substantial on a full-year basis, with Group profit jumping 59% year-over-year, to 354 million. Earnings and margins rose on a Groupwide basis, building a 240 basis point increase in Group profit margin. The Group s fire safety and heating, ventilation and air conditioning businesses made the largest contributions to Group Profit. Revenue rose 6% year-over-year, to 5.062 billion, and orders of 5.350 billion came in 2% higher than the prior period.

Osram: Sustained Growth and Profitability

	Fourth quarter ended September 30,				**Fiscal year ended September 30,**			
			% Change				**% Change**	
(in millions)	**2007**	**2006**	**Actual**	**Adjusted***	**2007**	**2006**	**Actual**	**Adjusted****
Group profit	128	86	49%		492	456	8%	
Group profit margin	10.6%	7.7%			10.5%	10.0%		
Revenue	1,203	1,110	8%	12%	4,690	4,563	3%	7%
New orders	1,203	1,110	8%	12%	4,690	4,563	3%	7%

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

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

Osram posted Group profit of 128 million in the fourth quarter of fiscal 2007, with broad-based increases in earnings and margins. Group profit in the prior year included higher severance charges. Revenue and orders rose 8% to 1.203 billion for the quarter, including high demand for energy-efficient lighting solutions.

For the full year, Osram s Group profit rose 8% to 492 million. Along with strength in general lighting, Osram also benefited from higher earnings in its optical semiconductors business. Broad-based demand throughout the Group took revenue and orders up to 4.690 billion for the fiscal year. Excluding negative currency translation effects, revenue and orders grew 7% compared to the prior year.

Transportation Systems (TS): Improved Earnings and Margins

	Fourth quarter ended September 30,				**Fiscal year ended September 30,**			
			% Change				**% Change**	
(in millions)	**2007**	**2006**	**Actual**	**Adjusted***	**2007**	**2006**	**Actual**	**Adjusted****
Group profit	62	19	226%		191	72	165%	
Group profit margin	5.1%	1.3%			4.3%	1.6%		

Revenue	1,212	1,446	(16)%	(12)%	4,452	4,493	(1)%	2%
New orders	2,189	743	195%	202%	4,780	6,173	(23)%	(20)%

* Excluding currency translation effects of (1)% on revenue and orders, and portfolio effects of (3)% and (6)% on revenue and orders, respectively.

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

Group profit at TS in the fourth quarter rose to 62 million on broad-based increases in earnings and margins led by the Rail Automation division. Revenue of 1.212 billion came in below the level of the prior-year period.

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Fourth-quarter orders of 2.189 billion were nearly triple the level of the same period a year ago, driven by major contract wins in Austria, The Netherlands, the U.K., and China.

For the full year, Group profit of 191 million at TS benefited from a net gain of 76 million on the sale of the Group s locomotive leasing business. Earnings and margins rose on a Group-wide basis except for the mass transit business, which took charges related to its Combino railcar and posted a larger loss than in the prior year. Revenue of 4.452 billion came close to the prior-year level despite a decline in revenue in the mass transit business. Orders of 4.780 billion reflect a significantly lower level of large orders for the Group as a whole in the second and third quarters.

Power Generation (PG): Margin Improvement in High-Growth Markets

	Fourth quarter ended September 30,				**Fiscal year ended September 30,**			
			% Change				**% Change**	
(in millions)	**2007**	**2006**	**Actual**	**Adjusted***	**2007**	**2006**	**Actual**	**Adjusted****
Group profit	358	122	193%		1,147	779	47%	
Group profit margin	10.1%	4.2%			9.4%	7.7%		
Revenue	3,533	2,924	21%	21%	12,194	10,086	21%	20%
New orders	4,012	2,738	47%	46%	17,988	12,532	44%	43%

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

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

PG combined increased profitability with strong revenue growth to generate 358 million in fourth-quarter Group profit, well above the prior-year period. PG s fossil power generation, fossil services, industrial and wind businesses all contributed significantly higher earnings year-over-year. Both periods under review included charges at major projects and negative equity investment income. With significant offsetting effects in the current quarter, Group profit margin was representative of PG s underlying performance. In contrast, Group profit margin in the prior-year quarter lost more than 500 basis points due to the factors mentioned above. Equity investment income related to Areva was a negative

37 million compared to a negative 52 million in the prior-year quarter. Demand for PG s power generation solutions was evident in revenue of 3.533 billion, 21% higher than in the prior-year quarter, and orders of 4.012 billion, up 47%. The fossil, wind and industrial businesses all contributed strong growth and major contract wins, including fuel-efficient combined-cycle power plants in Europe and Asia-Pacific and large wind power projects in Europe, Asia-Pacific and the U.S. PG expects continued volatility in equity investment earnings in coming quarters.

For the full fiscal year, Group profit at PG climbed 47%, to 1.147 billion. All businesses in PG s portfolio generated strong growth in earnings and profitability, including a significant rise in earnings in the fossil services business and a sharply higher 9.5% margin in the wind power business, where earnings more than doubled. Charges at major projects, negative equity investment income and offsetting effects took 60 net basis points from Group profit margin in fiscal 2007, compared to 230 net basis points a year earlier. Equity investment income related to Areva was a negative 45 million in fiscal 2007 compared to a negative 27 in the prior year. Demand was well-balanced both regionally and among PG s divisions. Fiscal 2007 revenue rose to 12.194 billion, 21% higher than in the prior fiscal year, and orders surged 44%, to 17.988 billion. These fiscal 2007 contract wins are expected to increase the earnings quality of PG s order backlog as older, lower-margin orders are converted to revenue in coming quarters.

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Power Transmission and Distribution (PTD): Maintaining Momentum in Growth and Profitability

	Fourth quarter ended September 30,				Fiscal year ended September 30,			
			% Change				% Change	
(in millions)	2007	2006	Actual	Adjusted*	2007	2006	Actual	Adjusted**
Group profit	225	54	317%		650	315	106%	
Group profit margin	9.9%	2.9%			8.5%	4.8%		
Revenue	2,283	1,839	24%	25%	7,689	6,509	18%	21%
New orders	1,882	1,683	12%	14%	9,896	8,028	23%	27%

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

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

PTD completed a year of continuous earnings improvement with Group profit of 225 million for the fourth quarter. Group profit margin benefited from 25 million in hedging effects not qualifying for hedge accounting. For comparison, the prior-year result included restructuring charges. Higher revenue enabled all divisions within PTD to increase their earnings, and the Group achieved its best quarterly Group profit margin of the year. In a strong global market for secure, high-efficiency power transmission and distribution, PTD delivered revenue of 2.283 billion, up 24% from the prior-year quarter. Orders for the quarter rose 12% above the prior-year level, to 1.882 billion, including a major order in the U.S.

PTD s full-year results follow the same trends as in the fourth quarter. Group profit more than doubled, to 650 million, on improving margins and higher revenue. Revenue rose 18% year-over-year, to 7.689 billion, while orders climbed 23%, to 9.896 billion. Among numerous major orders were large new contracts in the Middle East and China, taking PTD s full-year book-to-bill ratio up to 1.29.

Medical Solutions (Med): Strong Profit Growth From An Integrated Diagnostics Supplier

	Fourth quarter ended September 30,				Fiscal year ended September 30,			
			% Change				% Change	
(in millions)	2007	2006*	Actual	Adjusted**	2007	2006*	Actual	Adjusted***
Group profit	380	266	43%		1,323	988	34%	
Group profit margin	13.3%	11.3%			13.4%	12.0%		
Revenue	2,848	2,359	21%	6%	9,851	8,227	20%	6%

New orders	2,999	2,994	0%	(11)%	10,271	9,334	10%	(2)%

* Group profit has been adjusted. For further information see the document Legal Proceedings.

** Excluding currency translation effects of (4)% on revenue and orders, and portfolio effects of 19% and 15% on revenue and orders, respectively.

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

Group profit at Med in the fourth quarter jumped 43% compared to the prior-year quarter, to 380 million, and Group profit margin for the quarter rose to 13.3%. These results demonstrate the competitive strength and international success of Med s diagnostics imaging businesses, which increased their profitability compared to the prior-year period despite continuing market pressure in the U.S., including effects from the U.S. Deficit Reduction Act (DRA). This enabled Med to more than offset the loss of 270 basis points from Group profit margin due to PPA effects of 21 million and integration costs of 55 million stemming from two major acquisitions. The companies acquired, Diagnostic Products Corp. (late in fiscal 2006) and a division of Bayer AG (in the second quarter of fiscal 2007), have been combined into Med s new Diagnostics division for in-vitro diagnostic solutions. Revenue for the fourth quarter rose 21%, year-over-year, to 2.848 billion, including substantial new volume from the Diagnostics division.

Orders were level at 2.999 billion, as Med compensated for the tightening in the U.S. imaging market with its Diagnostics division and growth in other regions. The Group s acquisition of Dade-Behring Holdings, Inc. closed on November 6, 2007, and will result in further integration costs in coming quarters.

Med s results for the full year showed similar development as in the fourth quarter. Group profit climbed 34%, to 1.323 billion, primarily due to higher earnings and profit margins in the diagnostics imaging businesses. Equity investment income in the current year benefited from a 23 million gain on the sale of a portion of Med s stake in a joint venture, Draeger Medical AG & Co. KG, and rose to 60 million for the year compared to 27 million a year earlier. These factors partly offset PPA effects of 91 million and integration costs from acquisitions of 84 million, which took 180 basis points from Group profit margin. Revenue of 9.851 billion and orders of 10.271 billion were up 20% and 10%, respectively, primarily as a result of the acquisitions in in-vitro diagnostics.

Siemens IT Solutions and Services (SIS): Solid Improvement

	Fourth quarter ended September 30,				**Fiscal year ended September 30,**			
			% Change				**% Change**	
(in millions)	**2007**	**2006**	**Actual**	**Adjusted***	**2007**	**2006**	**Actual**	**Adjusted****
Group profit	80	(230)			252	(731)		
Group profit margin	5.6%	(16.2)%			4.7%	(12.8)%		
Revenue	1,438	1,424	1%	2%	5,360	5,693	(6)%	5%
New orders	1,595	1,266	26%	27%	5,156	5,574	(7)%	5%

* Excluding portfolio effects of (1)% on revenue and orders.

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

SIS posted 80 million in Group profit and a Group profit margin of 5.6% in the fourth quarter, benefiting from an improved cost structure following 180 million in severance charges in the prior-year period. Revenue rose modestly compared to the prior-year quarter, to 1.438 billion. Orders jumped 26%, to 1.595 billion on strong growth in Europe.

Fiscal 2007 was the first year of operation for SIS, which combines the former Siemens Business Services (SBS) Group with other strategic IT activities within Siemens. Results for SIS are stated on a retroactive basis, to provide a meaningful comparison with prior periods. Group profit for the fiscal year was 252 million, while in the prior year 576 million in severance charges contributed to a substantial loss. Revenue and orders of 5.360 billion and 5.156 billion, respectively, came in lower than the prior-year totals due to the divestment of the Group s Product Related Services (PRS) business halfway through fiscal 2006. On an organic basis, sales and orders were up 5%

year-over-year.

Strategic Equity Investments (SEI)

SEI includes results at equity from three companies in which Siemens holds a strategic equity stake: Nokia Siemens Networks B.V. (NSN), BSH Bosch und Siemens Hausgeräte GmbH (BSH), and Fujitsu Siemens Computers (Holding) B.V. (FSC). SEI posted a loss of 11 million in the fourth quarter compared to a 75 million gain in the same period a year earlier. The change year-over-year was due largely to NSN, which became part of SEI results following its formation in the third quarter. Restructuring and integration programs resulted in 86 million in charges at NSN in the fourth quarter. As a result, Siemens incurred an equity investment loss of 58 million related to NSN.

For the full year, SEI overall recorded an equity investment loss of 161 million despite a positive 268 million from BSH and FHC. In the prior year, which does not include NSN, SEI posted equity investment income of 225 million.

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In the current year, NSN took 991 million in charges including 646 million for severance. As a result, Siemens equity investment income related to NSN was a negative 429 million in fiscal 2007.

Other Operations

Other Operations consist of centrally held operating businesses not related to a Group, including Siemens Home and Office Communication Devices (SHC) and, in fiscal 2006, the distribution and industry logistics (Dematic) businesses carved out of the former Logistics and Assembly Systems Group. The result of Other Operations in the fourth quarter was a negative 71 million compared to a negative 208 million in the same period a year earlier. SHC took a small loss in the current quarter, while the prior-year quarter includes a more significant operating loss at Dematic plus a loss on the sale of the Dematic businesses. Other Operations also includes centrally carried regional costs not allocated to the Groups, totaling 45 million in the current quarter compared to 63 million in the prior-year period. Revenue for Other Operations declined to 663 million for the quarter from 1.012 billion in the prior-year period, due primarily to the divestment.

Results for fiscal 2007 followed a similar pattern. Other Operations improved to a negative 193 million compared to a negative 317 million in fiscal 2006. SHC contributed 13 million in profit for the year, while the Dematic business posted a loss of 159 million a year earlier. Centrally carried regional costs not allocated to the Groups totaled 96 million in the current period, up from 59 million in the prior year. In addition, fiscal 2007 included an impairment of 52 million at a regional payphone company in Europe. Revenue for Other Operations for the full year was 2.884 billion, down from 3.944 billion primarily due to the Dematic divestment. Within these totals, sales at SHC remained stable near 790 million.

Corporate items, pensions and eliminations

Corporate items, pension and elimination totaled a negative 451 million in the fourth quarter, compared to a negative 493 million in the prior-year quarter. This improvement was due to centrally carried pension expense, which was a positive 39 million compared to a negative 45 million in the same quarter a year earlier. Corporate items increased year-over-year to a negative 484 million compared to a negative 462 million in the prior-year period. This change includes 85 million in the current quarter for outside advisors related to legal and regulatory matters mentioned above, as well as 108 million related to Siemens regional sales organization in Germany, primarily including an impairment.

For the full year, Corporate items, pensions and eliminations was a negative 1.672 billion compared to a negative 527 million in the prior year. Corporate items was the primary factor in the change year-over-year, increasing to a negative 1.728 billion from a negative 553 million in fiscal 2006. Costs related to major legal and regulatory matters totaled 843 million in the current period. Within this figure, major impacts included 440 million stemming from sanctions on major suppliers of gas-isolated switchgear, 152 million in expenses related to compliance mentioned earlier, and 81 million in funding primarily for job placement companies for former Siemens employees affected by the bankruptcy of BenQ Mobile GmbH & Co. OHG (BenQ). Corporate items also included higher expenses related to a major asset retirement obligation. Finally, the full year also includes the 108 million mentioned above for the fourth quarter. A year earlier, Corporate items benefited from a 95 million gain on the sale of an investment, as well as 70 million in positive effects from settlement of an arbitration proceeding.

Financing and Real Estate

Siemens Financial Services (SFS)

	Fourth quarter ended September 30,			Fiscal year ended September 30,		
(in millions)	**2007**	**2006**	**% Change**	**2007**	**2006**	**% Change**
Income before income taxes	52	120	(57)%	329	306	8%
Total assets				8,912	10,543	(15)%

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Income before income taxes (IBIT) at SFS was 52 million compared to 120 million in the fourth quarter a year earlier. The prior-year quarter benefited strongly from a special dividend related to an investment in the Equity division. On a full-year basis, IBIT rose to 329 million from 306 million in fiscal 2006, including gains on sales of shares in the Equity division and special dividends resulting from divestment gains by a company in which SFS holds an equity position. IBIT in the prior period included the special dividend mentioned above. Total assets declined compared to the end of fiscal 2006, due to a significant reduction in accounts receivable related to the carve-out of SV and the transfer of carrier activities into NSN.

Siemens Real Estate (SRE)

	Fourth quarter ended September 30,			Fiscal year ended September 30,		
(in millions)	2007	2006	% Change	2007	2006	% Change
Income before income taxes	48	13	269%	228	115	98%
Revenue	435	446	(2)%	1,686	1,705	(1)%
Total assets				3,091	3,221	(4)%

Income before income taxes at SRE was 48 million in the fourth quarter, which benefited from higher gains on sales of real estate. Income before income taxes for the full year was 228 million, compared to 115 million in the prior year. A year earlier, SRE s results included significantly higher vacancy charges and a lower level of real estate disposals.

Eliminations, reclassifications and Corporate Treasury

Income before income taxes from eliminations, reclassifications and Corporate Treasury was 19 million in the fourth quarter, compared to a negative 4 million in the prior-year period. The current quarter included beneficial effects at Corporate Treasury from Siemens s repurchase of outstanding notes from a 2.5 billion convertible bond issued in June 2003. On a full-year basis, IBIT from eliminations, reclassifications and Corporate Treasury was 153 million compared to a negative 18 million in fiscal 2006. The difference is due mainly to negative net effects in the prior year from a mark-to-market valuation of a cash settlement option associated with the convertible bond.

Income and earnings per share in fiscal 2007

Net income for Siemens in fiscal 2007 was 4.038 billion, a 21% increase compared to 3.345 billion in the same period a year earlier. Basic and diluted EPS were 4.24 and 4.10, respectively, compared to 3.52 and 3.51, respectively, in fiscal 2006. Net income in fiscal 2007 rose even as income from discontinued operations fell to 129 million from 703 million in fiscal 2006. More detail on discontinued operations is included below. Income from continuing operations for the year was 3.909 billion, 48% higher than 2.642 billion in fiscal 2006. Basic and diluted EPS on a continuing basis were 4.13 and 3.99, respectively, compared to 2.78 and 2.77 a year earlier.

Strong operating performance was the primary driver of higher income from continuing operations. Group profit from Operations rose 70% year-over-year to 6.560 billion, even with negative equity investment income of 429 million related to NSN. All Groups in Operations increased their Group profit and Group profit margin on a full-year basis. SIS benefited strongly from severance programs totaling 576 million in fiscal 2006, recording Group profit of 252 million for the year compared to a loss of 731 million in the prior year.

Rapid growth in Group profit more than offset a significant increase in Corporate items, pensions and eliminations year-over-year, which rose from a negative 527 in fiscal 2006 to a negative 1.672 billion in the current year. The change was due primarily to the 843 million in costs for major legal and regulatory matters mentioned above in Corporate items.

Earnings at Financing and Real Estate rose to 557 million for fiscal 2007, from 421 million a year earlier. Corporate Treasury activities contributed earnings of 153 million compared to a loss of 18 million in the same period a year earlier, which includes a 143 million net negative effect related to a cash settlement option related to the 2.5 billion convertible bond.

Discontinued Operations in the fourth quarter and fiscal 2007

Discontinued operations include Com activities that remained within Siemens after the transfer of carrier assets into NSN at the beginning of the third quarter, and also the operations of SV, which is held for disposal pending the closing of its sale to Continental. SV is included within discontinued operations on a retroactive basis, to provide a meaningful comparison with prior periods.

In the fourth quarter, discontinued operations reduced net income by 1.468 billion compared to a contribution to net income of 9 million in the same quarter a year earlier. The difference is due primarily to SV, which had approximately 1.0 billion in tax expense related to its carve-out. This led to a negative result of 861 million at SV activities for the quarter despite Group profit of 143 million. The prior-year result was a 77 million contribution to net income from SV activities. The result for Com activities was a negative 588 million compared to a negative 25 million in the prior-year period. The difference is due mainly to non-operating factors in the current quarter. The largest of these is the 201 million fine imposed by German authorities as discussed earlier. In addition, a non-cash, pretax, preliminary gain of approximately 1.7 billion generated by the transfer of Com assets into NSN was adjusted to approximately 1.6 billion in the fourth quarter, and the enterprise network business within discontinued operations took an impairment of 64 million. On an operating basis, Com activities posted losses of 115 million in the current quarter and 113 million in the prior-year period, which included 235 million in severance charges.

For fiscal 2007, income from discontinued operations contributed 129 million to net income, compared to 703 million a year earlier. Contribution to net income from SV activities was a negative 550 million compared to a positive 410 million in fiscal 2006. This swing was due to the approximately 1.0 billion in tax expense mentioned above as well as interest expense and closing costs related to the carve-out. Full-year results at Com-related activities contributed positively in both the current and prior year, with 765 million and 357 million, respectively. The current-year result was higher primarily due to the 1.6 billion NSN gain mentioned above. This gain was partly offset by 567 million in impairments at the enterprise networking business, the 201 million penalty mentioned above, and 104 million in other costs related to legal and regulatory matters. The remainder of the change year-over-year is due to an operating loss in the current year compared to operating profit at Com a year earlier. While the profitable carrier activities were included for all of fiscal 2006, they were transferred out of discontinued operations and into NSN midway through fiscal 2007. Effects related to BenQ reduced net income by 86 million and 64 million, respectively, in fiscal 2007 and fiscal 2006.

Order and revenue trends in fiscal 2007

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

*

Excluding currency translation and portfolio effects.

** Commonwealth of Independent States.

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

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

Orders in Asia-Pacific came in at 13.291 billion, 18% higher than in the prior year, with PG, A&D, PTD, Med and I&S all winning at least 20% more new business in the region compared to fiscal 2006. Orders in China and India grew at 12% and 15% respectively, and accounted for 52% of new Asia-Pacific orders during fiscal 2007. A year earlier, their combined share was 54%. New orders in the Africa, Near and Middle East, C.I.S. region came in 9% lower year-over-year, at 7.584 billion, primarily because the prior year included a very large order at TS for both trains and maintenance in Russia. For the region as a whole, PTD, A&D and Osram saw double-digit order growth for the current period.

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