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 of America. The currency translations made in the case of dividends we have paid have been made at the noon buying rate at the date of the Annual Shareholders Meeting at which the dividends were approved. As used in this document, the term noon buying rate refers to the rate of exchange for , 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.

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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 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.

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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

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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.

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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.

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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

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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 ma