

SIEMENS AKTIENGESELLSCHAFT

Form 20-F

November 28, 2012

Table of Contents

As filed with the Securities and Exchange Commission on November 28, 2012

**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

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

For the fiscal year ended September 30, 2012

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, 2012: 856,274,326 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

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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

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  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  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  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

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

This document contains statements related to our future business and financial performance and future events or developments involving Siemens that may constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements may be identified by words such as expects, looks forward to, anticipates, intends, plans, believes, seeks, estimates, with words of similar meaning. We may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases. In addition, our representatives may from time to time make oral forward-looking statements. 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 or anticipated on the basis of historical trends. These factors include in particular, but are not limited to, the matters described in Item 3: Key information Risk factors of this annual report on Form 20-F filed with the SEC.

Further information about risks and uncertainties affecting Siemens is included throughout this annual report on Form 20-F and in our other filings with the SEC, which are available on the Siemens website, [www.siemens.com](http://www.siemens.com), and on the SEC's website, [www.sec.gov](http://www.sec.gov). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements of Siemens may vary materially from those described in the relevant forward-looking statement as being expected, anticipated, intended, planned, believed, sought, estimated or projected. Siemens neither intends, 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 context 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.

**Table of Contents****TABLE OF CONTENTS**

	<b>Page</b>
<b>PART I</b>	
Item 1 :	1
Item 2 :	1
Item 3 :	1
	1
	2
	2
	3
Item 4 :	12
	12
	13
	15
	16
	28
	28
	30
	32
	33
	33
	36
	38
Item 4A :	45
Item 5 :	45
	45
	45
	57
	70
	84
	86
	101
	104
	105
	112
	115
	115
Item 6 :	129
	129
	133
	146
	148
Item 7 :	149
	149
	150
Item 8 :	150
Item 9 :	150
	150
	151
	152

**Table of Contents**

	<b>Page</b>
Item 10 :	153
<u>Additional information</u>	153
<u>Articles of association and relevant provisions of German law</u>	153
<u>Material contracts</u>	165
<u>Exchange controls</u>	165
<u>Taxation</u>	166
<u>Documents on display</u>	170
Item 11 :	171
<u>Quantitative and qualitative disclosure about market risk</u>	171
Item 12 :	171
<u>Description of securities other than equity securities</u>	171
<u>American depositary shares</u>	171
<b>PART II</b>	
Item 13 :	174
<u>Defaults, dividend arrearages and delinquencies</u>	174
Item 14 :	174
<u>Material modifications to the rights of security holders and use of proceeds</u>	174
Item 15 :	174
<u>Controls and procedures</u>	174
<u>Disclosure controls and procedures</u>	174
<u>Management's annual report on internal control over financial reporting</u>	174
<u>Report of independent registered public accounting firm</u>	175
<u>Changes in internal control over financial reporting</u>	176
Item 16A :	176
<u>Audit committee financial expert</u>	176
Item 16B :	176
<u>Code of ethics</u>	176
Item 16C :	176
<u>Principal accountant fees and services</u>	176
<u>Audit Committee pre-approval policies</u>	176
<u>Audit services</u>	177
<u>Audit-related services</u>	177
Item 16D :	178
<u>Exemptions from the listing standards for audit committees</u>	178
Item 16E :	178
<u>Purchases of equity securities by the issuer and affiliated purchasers</u>	178
Item 16F :	179
<u>Change in registrant's certifying accountant</u>	179
Item 16G :	179
<u>Corporate governance</u>	179
<u>Significant differences between Siemens' corporate governance and NYSE Corporate Governance Standards</u>	179
Item 16H :	180
<u>Mine Safety Disclosure</u>	180
<b>PART III</b>	
Item 18 :	F-1
<u>Financial Statements</u>	F-1
<u>Index to Consolidated Financial Statements</u>	F-1
Item 19 :	III-1
<u>Exhibits</u>	III-1

**Table of Contents**

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**Table of Contents****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**

The following table sets forth our selected consolidated financial data as of and for each of the years in the five-year period ended September 30, 2012. The selected consolidated financial data has been derived from, and should be read in conjunction with, our audited Consolidated Financial Statements (including the Notes thereto) presented in Item 18: Financial Statements. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

Consolidated Statements of Income Data <sup>(1)</sup>	Year ended September 30,				
	2012	2011	2010	2009	2008
	(in millions of €, unless otherwise stated)				
Revenue	78,296	73,275	68,828	70,053	69,577
Income from continuing operations before income taxes	7,279	9,608	6,045	4,035	2,440
Income from continuing operations	5,184	7,376	4,329	2,533	1,574
Income (loss) from discontinued operations, net of income taxes	(595)	(1,055)	(261)	(36)	4,312
Net income	4,590	6,321	4,068	2,497	5,886
Basic earnings per share					
Income from continuing operations	5.77	8.23	4.80	2.70	1.60
Income (loss) from discontinued operations	(0.68)	(1.20)	(0.31)	(0.05)	4.81
Net income	5.09	7.04	4.49	2.65	6.41
Diluted earnings per share					
Income from continuing operations	5.71	8.14	4.75	2.67	1.60
Income (loss) from discontinued operations	(0.67)	(1.18)	(0.31)	(0.04)	4.79
Net income	5.04	6.96	4.44	2.63	6.39

Consolidated Statements of Financial Position Data:	September 30,				
	2012	2011	2010	2009	2008
	(in millions of €)				
Total assets	108,282	104,243	102,827	94,926	94,463
Long-term debt	16,880	14,280	17,497	18,940	14,260
Total equity	31,302	32,156	29,096	27,287	27,380
Common stock	2,643	2,743	2,743	2,743	2,743

- (1) Under IFRS, the historical results of our Solar business, OSRAM, Siemens IT Solutions and Services and the former operating segments 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 Note 4.



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The number of shares outstanding at September 30, 2012, 2011, 2010, 2009 and 2008 was 856,274,326; 874,251,347; 869,837,005; 866,425,760 and 861,557,756, respectively.

**Table of Contents****DIVIDENDS**

The following table sets forth in and in US\$ the dividend paid per share for the years ended September 30, 2008, 2009, 2010, 2011 and the proposed dividend per share for the year ended September 30, 2012. 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\$
2008	1.60	2.11
2009	1.60	2.25
2010	2.70	3.68
2011	3.00	3.90
2012	3.00 <sup>(1)</sup>	

- (1) Proposed by the Managing Board in agreement with the Supervisory Board; to be approved by the shareholders at the Annual Shareholders Meeting on January 23, 2013.

**EXCHANGE RATE INFORMATION**

We publish our Consolidated Financial Statements in euros. As used in this document, euro or means the single unified currency that was introduced in the Federal Republic of Germany on January 1, 1999. U.S. dollar, US\$ or USD 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
2008	1.5067
2009	1.3556
2010	1.3539
2011	1.3988
2012	1.3011

The following table shows the noon buying rates for in US\$ for the last six months and for November 2012 up to and including November 16, 2012.

2012	High	Low
May	1.3226	1.2364
June	1.2703	1.2420
July	1.2620	1.2062
August	1.2583	1.2149
September	1.3142	1.2566
October	1.3133	1.2876
November (through November 16)	1.2937	1.2715

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On November 16, 2012, the noon buying rate was US\$1.2715 per 1.00.

## Table of Contents

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 RISKS**

**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, financial condition and results of operations may be affected by the uncertainties of economic and political conditions, particularly in the current macroeconomic environment, which is characterized by the 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. Since the second half of fiscal 2011, we have seen a high degree of volatility in the global financial markets, primarily as a result of the ongoing Eurozone sovereign debt crisis. The uncertainty in the macroeconomic environment became more and more present in our business segments resulting in a more challenging overall business climate in fiscal 2012. Future economic developments and, in consequence, the speed of macroeconomic growth and the sustainability of our market environment are 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, 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.

In light of the latest economic developments, the high degree of unemployment in certain countries, the level of public debt in the United States as well as in Greece, Ireland, Italy, Portugal, Spain and other European countries, uncertainties with respect to the stability of the emerging markets, especially 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 Industry Automation and parts of Drives Technologies, as well as parts of the Power Grid Solutions & Products Business within the Infrastructure & Cities Sector, which are highly sensitive to volatility in market demand. If the macroeconomic environment deteriorates further 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

## Table of Contents

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 regulations. 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 and manufacturing industries. Our Infrastructure & Cities Sector focuses, among other things, 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. We constantly apply for new patents and actively manage our intellectual property portfolio to secure our technological position. However, our patents and other intellectual property may not prevent competitors from independently developing or selling products and services similar to or duplicate of ours. There can be no assurance that the resources invested by us to protect our intellectual property will be sufficient or that our intellectual property portfolio will adequately deter misappropriation or improper use of our technology. 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. As one of the latest technology trends we carefully estimate the potential and relevance of cloud computing. We believe that the potential and usage scenarios of this technology vary between our products, solutions and services depending on the degree of information technology utilized. However, we also believe that this trend needs to be monitored closely, because it might bear the potential to change the competitive landscape. Any inability to adapt to the factors aforementioned 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 alignments and cost-cutting initiatives:** We are in a continuous process of strategic alignments 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 not be implemented as planned, may turn out to be less effective than anticipated, may only become effective later than estimated or may not become effective at all. Each of these factors alone or in combination

## **Table of Contents**

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, we have announced to divest OSRAM, our solar business and the business activities included in the Industry Sector's Water Technologies Business Unit, which as of September 30, 2012 was part of the Industry Automation Division.

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 Statements of Financial Position 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. If we were to encounter continuing adverse business developments including negative effects on our revenues, profits or 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 off, which could materially and adversely affect our business, financial condition and results of operations. The likelihood of such adverse business developments increases in times of difficult or uncertain macroeconomic conditions.

**Our business, financial condition and results of operations may be adversely affected by our equity interests, other investments 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 Bosch und Siemens Hausgeräte GmbH (BSH). Furthermore we hold other investments, for example Atos S.A. Any factors negatively influencing the profitability of our equity and other investments, including negative effects on revenues, profits or cash, could have an adverse effect on our equity pick-up related to these equity interests or may result in a write-off 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 and other 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, other 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.

**We are subject to changes of regulations, laws and policies concerning our products:** As a diversified company with global businesses we are exposed to various product related regulations, laws and policies influencing our processes. Recently, some jurisdictions around the world have adapted certain regulations, laws and policies requiring us to extend our recycling efforts, limit the sourcing and usage of certain raw materials and request additional due diligences and disclosures on sourcing and usage of the regulated raw materials. In particular, there is new U.S. legislation to improve transparency and accountability concerning the sourcing of

**Table of Contents**

conflict minerals from mines located in the conflict zones of the Democratic Republic of Congo (DRC) and its adjoining countries. The term conflict minerals currently encompasses tantalum, tin, tungsten (or their ores) and gold. Conflict minerals can be found in a vast array of products. This U.S. legislation requires manufacturers, such as us, to investigate and disclose their use of any conflict minerals originating in the DRC or adjoining countries. It also implements guidelines to assist the manufacturer in preventing, by way of performing due diligence in its supply chain, any such sourcing from potentially financing or benefitting armed groups in this area. We are currently evaluating the potential impact of, and developing an implementation strategy for, the above-referenced legislation. As we are operating within highly complex value chains, we may be required to undertake a significant due diligence process requiring considerable investments of human resources and finances in order to comply with the conflict minerals due diligence and disclosure requirements. If our (sub) suppliers are unable or unwilling to provide us with requested information and to take other steps to ensure that no conflict minerals, financing or benefitting armed groups in the DRC, are included in minerals or components supplied to us, we may be forced to disclose in our SEC filings about the use of conflict minerals in our supply chain, which may expose us to reputational risks. In addition, since the applicability of the new conflict minerals legislation is limited to companies publicly listed in the U.S., not all of our competitors need to comply with this legislation or undertake similar efforts to disclose the usage of conflict minerals. If we are unable to achieve sufficient confidence along our supply chain, or if any of these risks or similar risks associated with such kinds of regulations, laws and policies were to materialize, our reputation, business, financial condition and results of operations could be materially adversely affected.

**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, unforeseen changes or difficulties in the regulatory or political environment, 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 and compliance with government regulations requirements, 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.

**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

## **Table of Contents**

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.

**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 and construction 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. Particularly our Healthcare Sector is subject to requirements of the U.S. Food and Drug Administration, which require certain efforts safeguarding our product quality. If we are not able to comply with these requirements our reputation, competitiveness, business, financial condition and results of operations may be adversely affected.

Furthermore, failures on the part of service providers we employ, such as in the area of IT, 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 are dependent upon hiring, developing and retaining highly qualified management and technical personnel:** Competition for highly qualified 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, integrate, develop 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 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 or raw materials 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 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



## Table of Contents

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.

### 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, in particular the Chinese Yuan. As a result, a strong euro in relation to the U.S. dollar and other currencies could have an adverse impact on our revenues and results of operations. 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 and interest rates, our hedging activities could have significant effects on our cash flow. Our Sectors and Financial Services (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 do not qualify for hedge accounting either, and are subject to changes in interest rates. Accordingly, exchange rate and interest rate fluctuations may lead to higher volatility and adverse effects on our business, financial conditions and results of operations. 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 adverse changes of fair market values of our financial assets, in particular concerning our derivative financial instruments. In addition, we see a risk of widening credit spreads leading to 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 against credit risks due to a potential increase of counterparty risks.

**Our future financing via Corporate Treasury may particularly be affected by the uncertainty of economic conditions and the development of capital and financial markets:** 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 ongoing Eurozone sovereign debt crisis continues to have an impact on global capital markets. The resulting higher risk awareness of governments lead to more regulations on the use of financial instruments through (i) the Regulation on OTC derivatives, central counterparties and trade repositories (European Market Infrastructure Regulation) and (ii) other similar regulations in other jurisdictions, which may have an impact on the future availability or the costs of adequate hedging instruments for the company. It may even lead to further regulation of the financial sector and the use of financial instruments. Such further regulations could adversely influence our future possibilities of obtaining debt financing, and/or may significantly increase our refinancing costs. Deteriorating credit quality and/or default of business partners may adversely affect our business, financial conditions and results of operations.

**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 business, financial conditions and results of operations.

**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

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**Table of Contents**

equipment, mainly through SFS. SFS also incurs credit risk by financing third-party equipment or by taking direct or indirect participation 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 condition 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 decline in the fair market values of assets, derivative instruments as well as collateral, resulting in losses which could have an adverse effect on our business, financial condition and results of operations.

**Our business, 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, 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 could result in corresponding increases or decreases in the value of plan assets, particularly equity securities. Also, changes in pension plan assumptions could affect net periodic pension cost. For example, a change in discount rates 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. Furthermore, changes in the accounting pronouncements concerning pensions could require adaptations in the way pension obligations are recorded in our Consolidated Financial Statements and thus could have adverse effects on our business, financial condition and results of operations.

For further information on financial risks and financial risk management see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 32.

**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. The sanction regime against Iran was recently tightened further following the approval of the Council Regulation (EU) No. 267/2012 on March 23, 2012 concerning restrictive measures against Iran and repealing Regulation (EU) No 961/2010 and the Implementing Regulation (EU) No. 945/2012 dated October 15, 2012 that built thereupon, which lists 34 additional companies and institutions (primarily from the Oil and Gas industry sector). In addition, the signing into law of the American Iran Threat Reduction and Syria Human Rights Act of 2012 on August 10, 2012 tightens the restrictions on the ability of non-U.S. companies to do business or trade with Iran and Syria and imposes additional disclosure obligations. As described in more detail under Item 4: Information on the Company Overview, we have issued, and regularly update, restrictive internal guidelines governing business with customers in Iran. We may, however, still conduct certain business activities and provide products and services to customers in Iran under limited circumstances. Although we believe that our business activities have not had a material negative impact on our reputation or share value, we cannot exclude any such impact in the future. New or tightened export control regulations, sanctions, embargoes or other forms of trade restrictions imposed on Iran, Syria or on other sanctioned countries

## Table of Contents

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, Syria or other sanctioned countries may expose us to customer claims and other actions.

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 our business, 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. 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 2008 and 2009 corruption charge settlements which were concluded with American and German authorities 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.

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 third parties, including our competitors, could initiate significant third-party litigation.

In addition, future 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

## Table of Contents

resources from other issues facing our business. The materialization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, the price of our shares and ADS and on our reputation.

**Our business, financial condition and results of operations 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 charges. 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. Under certain circumstances we record a provision for risks arising from legal disputes and proceedings. In addition, we maintain liability insurance for certain legal risks at levels our management believes are appropriate and consistent with industry practice. Our insurance policy, however, does not protect us against reputational damage. Moreover, we may incur losses relating to legal proceedings beyond the limits, or outside the coverage, of such insurance. Finally, there can be no assurance that we will be able to maintain adequate insurance coverage on commercially reasonable terms in the future. Each of these risks may have a material adverse effect on our business, financial condition and results of operations, and our provisions for legal proceedings-related losses may not be sufficient to cover our ultimate losses or expenditures.

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

**We are subject to environmental and other government regulations:** Some of the industries in which we operate are highly regulated. Current and future environmental and other government regulations or changes thereto may require us to change the way we run our operations and could result in significant increases in our operating or product costs. In addition, while we have procedures in place to ensure compliance with applicable governmental regulations in the conduct of our business operations, it cannot be excluded that violations of applicable governmental regulations may occur either by us or by third parties that we contract with, including suppliers or service providers, whose activities may be attributed to us. Any such violations expose us to the risk of liability, reputational damage or loss of licenses or permits that are important to our business operations. In particular, we could also face liability for damage or remediation for environmental contamination at the facilities we design or operate. For example, we are required to bear environmental clean-up costs mainly related to remediation and environmental protection liabilities which have been accrued based on the estimated costs of decommissioning facilities for the production of uranium and mixed-oxide fuel elements in Hanau, Germany, as well as a nuclear research and service center in Karlstein, Germany. For further information, see Item 4: Information on the Company Environmental matters and Item 18: Financial Statements Notes to Consolidated Financial Statements Note 24. Under certain circumstances we establish provisions for environmental risks. 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.

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**Table of Contents**

**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 2012, Siemens employed an average of 366,700 people on a continuing basis and operated in around 190 countries worldwide. In fiscal 2012, we had revenue of 78.296 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 Energy, Healthcare and Industry, in order to benefit from the growth of urban centers. We combine the expertise in our four Sectors with a commitment to original research and development (R&D) to build strong global market positions. 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 Healthcare Sector develops, manufactures and markets diagnostic and therapeutic systems, devices and consumables, as well as information technology systems for clinical and administrative purposes. The Industry Sector's portfolio ranges from industry automation and drives products and services to system integration and solutions for plant business. The Infrastructure & Cities Sector bundles capabilities in the area of building and mobility solutions, low and medium voltage components, systems and solutions as well as power distribution, including Smart Grid applications. These functions were included in the Energy and Industry Sectors until the end of fiscal 2011. 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 transportation and logistics solutions business within the Infrastructure & Cities 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 as well as low and medium voltage operations within the Infrastructure & Cities 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 (substantially less than 1% of our revenue in fiscal 2012) 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, Siemens has decided that, subject to certain limited exceptions, it will not enter into new contracts with customers in Iran and has issued group-wide policies establishing the details of its general decision. Under the original version of the policies, among other exceptions, which have been previously disclosed, products and services required to maintain the installed base (e.g. deliveries of spare parts,

## Table of Contents

maintenance and assembly services) were permitted to be provided. However, in the beginning of calendar year 2012, Siemens resolved to amend the policies to provide that no new business with respect to products and services destined to maintain the installed base in Iran's oil & gas sector may be entered into under any circumstances. In addition, even outside the oil & gas sector, products and services for the installed base in Iran may be provided only in strictly limited circumstances which can be demonstrated to satisfy humanitarian purposes or private purposes serving the common good (e.g. water supply and healthcare of the civilian population). In the fourth quarter of fiscal 2012, Siemens revised its credit risk assessment for Iran. In accordance with project accounting principles, Siemens therefore revised project calculations for the affected projects that were still permitted to be provided under these policies. The change in credit risk assessment resulted in an earnings impact of 347 million. We expect further profit impacts related to Iran in fiscal 2013. 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 will drive global demand in coming decades. We have aligned our strategy with these developments and accordingly have organized our business into four Sectors: Energy, Healthcare, Industry, and Infrastructure & Cities.

**Demographic change** includes two major trends: the world's population continues to grow rapidly, and it continues to get older. Together, these two trends will challenge the ability of future healthcare systems to make affordable healthcare available to everyone. **Urbanization** refers to the growing number of large, densely-populated cities around the world. This trend intensifies the already strong demand for sustainable and energy-efficient infrastructures for buildings, transportation systems, energy and water. **Climate change** is a fact. The average global surface temperature increased by 0.76°C between 1850 and the beginning of the 21st century. 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. **Globalization** refers to the increasing integration of the world's economies, politics, culture and other areas of life. Globalization leads to increased competitive pressure and demand for economical, timely-to-market, high-quality products and solutions.

### 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.

Our company strategy guides us in turning our vision into reality. We are aiming to be a market and technology leader in our businesses, based on our values to be **responsible, excellent** and **innovative**. We believe that this will position us to achieve sustainable, profitable growth and thereby continually increase our company value. As an integrated technology company, we intend to profit from the megatrends described above.

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

focusing on innovation-driven growth markets,

getting closer to our customers, and

using the power of Siemens.

## Table of Contents

**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.

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 economic environment Financial performance measures.

To achieve our One Siemens 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. Here, we intend to concentrate on markets that are believed to have future growth potential, for example, in vertical IT and software. 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: Our Environmental Portfolio enhances our Company's revenue and makes a significant contribution to climate protection.

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. A second focus area is to expand our service business. 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 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. 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.

Beginning with fiscal 2013, we are implementing **Siemens 2014**, a company-wide program supporting the One Siemens framework for sustainable value creation. The goal of the program is to reduce cost, increase competitiveness, and become faster and less bureaucratic. We intend to improve profitability through five key enablers: cost reduction, strengthening core activities, go-to-market, optimizing our infrastructure, and simplifying governance. The program is aimed at raising Total Sectors profit margin to at least 12% by fiscal 2014. To achieve this goal, we are targeting substantial productivity gains over the next two fiscal years from the activities just mentioned. In the area of cost reduction, which is expected to yield the majority of these gains, we want to, for example, enhance product design by better integrating engineering, development, manufacturing and purchasing processes; improve global capacity utilization and presence; and increase process efficiency and quality. To achieve these results, our Sectors are undertaking a broad range of measures that are expected to result in charges to earnings in the next two fiscal years.



## **Table of Contents**

### **PORTFOLIO ACTIVITIES**

Since fiscal 2010, we have completed the following transactions to optimize our business portfolio for sustainable profitability and growth:

#### **ACQUISITIONS**

At the beginning of May 2012, Siemens acquired all of the shares of five entities constituting the Connectors and Measurements Division of Expro Holdings UK 3 Ltd. The acquired business engineers and manufactures subsea components such as cable connectors, sensors and measuring devices;

Acquisition of various other entities in fiscal 2012, which were not material individually including RuggedCom Inc., the NEM B.V. business and eMeter Corporation;

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;

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 previous 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.

#### **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 transaction closed in the first quarter of 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;

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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;

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.

### **Discontinued operations**

In the fourth quarter of fiscal 2012, Siemens decided to dispose of its solar business and classified its solar business as held for disposal and as discontinued operations as of September 30, 2012;

At the end of March 2011, Siemens announced that it plans to publicly list its subsidiary OSRAM. Following the announcement, Siemens classified OSRAM as held for disposal and as discontinued

## **Table of Contents**

operations. Now, the Company intends to dispose of OSRAM via a spin-off to Siemens shareholders, which is subject to approval by the Annual Shareholders Meeting on January 23, 2013. Siemens considers a listing via spin-off as highly probable until June 2013 and therefore classifies OSRAM again as held for disposal and discontinued operation. Siemens intends to retain a minority stake in OSRAM;

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

For a detailed discussion of our acquisitions, dispositions and discontinued operations, see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 4.

## **DESCRIPTION OF BUSINESS**

Our financial reporting as of September 30, 2012 comprised six reportable segments. These segments consisted of:

four Sectors Energy, Healthcare, Industry and Infrastructure & Cities,

Equity Investments and

Financial Services (SFS).

In addition, we report separately two Businesses and eight Divisions of our Sectors. Those are

in the Energy Sector: the Fossil Power Generation Division, the Wind Power Division, the Oil & Gas Division and the Power Transmission Division,

in the Healthcare Sector: the Diagnostics Division,

in the Industry Sector: the Industry Automation Division and the Drive Technologies Division and

in the Infrastructure & Cities Sector: the Transportation & Logistics Business, which includes the Rail Systems and Mobility and Logistics Divisions, the Power Grid Solutions & Products Business, which includes the Low and Medium Voltage and the Smart Grid Divisions as well as the Building Technologies Division.

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

### **ENERGY**

The **Energy** Sector offers a wide spectrum of products, services and solutions for the generation and transmission of power, and the extraction, conversion and transport of oil and gas. It primarily addresses the needs of energy providers, but also serves industrial companies, particularly in the oil and gas industry.



**Table of Contents**

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

	<b>Year ended September 30, 2012</b>
Total revenue	27.537 billion
External revenue	27.302 billion
External revenue as percentage of Siemens revenue	34.87%
Sector profit	2.159 billion

The following chart provides a geographic breakdown of the Energy Sector's external revenue in fiscal 2012.

At the end of fiscal 2012, the Energy Sector comprised the following five Divisions: Fossil Power Generation; Wind Power; Oil & Gas; Power Transmission and Energy Service. In the fourth quarter of fiscal 2012, Siemens decided to divest its solar thermal business and photovoltaic business (solar business). Following the decision the solar thermal and photovoltaic businesses are reported as discontinued operations for all periods covered in this annual report. Energy formed a new Sector-led unit, Hydro & Storage. This unit comprises the Sector's hydro power generation activities including its minority stake in Voith Hydro Holding GmbH & Co. KG as well as its energy storage devices.

The **Fossil Power Generation** Division offers high-efficiency products and solutions for fossil-based power generation. The offering extends from gas and steam turbines and generators to complete turnkey power plants. The Division concentrates on gas and steam turbines and turbo generators, including control systems, in the larger power range, with an emphasis on combined-cycle (gas and steam) power plants, heat recovery steam generators, steam power plants and conventional islands for nuclear power plants. It also develops solutions for instrumentation and control systems for all types of power plants and for use in power generation, including information technology solutions providing management applications from the plant to the enterprise level and is working on the development and production of systems based on emerging technologies such as integrated gasification and carbon capture and storage. In fiscal 2012, the Division acquired the NEM B.V. business, a specialist in heat recovery steam generators for combined-cycle power plants. To further expand its global gas turbine manufacturing network, Fossil Power Generation launched a subsidiary, Siemens Gas Turbine Technologies Holding B.V. in fiscal 2012. The Division has a 65% stake in the subsidiary. As part of the transaction, Fossil Power Generation completed the sale of its 25% interest in OAO Power Machines, Russia. The Division is represented in a number of joint ventures in China, including Shanghai Electric Power Generation Equipment in which Fossil Power Generation holds a stake of 40%.

The **Wind Power** Division manufactures wind turbines with a power rating ranging from 2.3 megawatts to 6.0 megawatts and rotor diameters spanning 82 to 154 meters for on- and offshore applications. It also provides services to off- and onshore wind farms. The Division holds a 49% equity stake in a joint venture with Dong Energy A/S, A2Sea A/S, a supplier of installation services for the construction of offshore wind-farms. In fiscal 2012, the Division entered into agreements for two joint ventures with Shanghai Electric Group (SEG) for the production and sales of wind turbines in China.

The **Oil & Gas** Division supplies highly efficient small and medium gas and steam turbines for industrial power generation and mechanical drives as well as turbo compressors for a broad range of applications to the oil and gas industries, the process industry and other industries. The Oil & Gas Division further offers a variety of automation and electrical products, systems and solutions for field, production and management levels, enterprise intelligence solutions for safe and reliable operation, planning, scheduling and life-cycle services, including

## Table of Contents

feasibility studies, as well as design and performance enhancement programs. In addition, the Division offers a broad range of water treatment, (re-)injection and management systems for onshore installations and for fixed and floating facilities offshore. Recent acquisitions, including all of the shares of five entities constituting the Connectors & Measurements business of Expro Holdings UK 3 Ltd., help the Division to strategically expand its range of products, solutions and consulting services for subsea activities.

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

The **Power Transmission** Division covers high-voltage transmission solutions, power and distribution transformers, high-voltage switching and non-switching products and systems, and innovative alternating and direct current transmission systems. The Division supplies energy utilities and large industrial power users with equipment, systems and services used to process and transmit electrical power from the source, typically a power plant, to various points along the power transmission network. The Division is working with joint ventures in China with different partners and has a joint venture with Infineon Technologies in Germany for design, manufacturing and sale of high performance semiconductors.

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

In addition to equipment and systems, Siemens offers a growing range of services and integrated solutions for various stages in the power transmission and distribution value chain through the Power Transmission Division and the business activities of the Infrastructure & Cities Sector's Smart Grid Division. They provide analytical and consulting services, as well as equipment and systems in the power quality field that are designed to improve the availability and reliability of power transmitted by analyzing and reducing the causes of power fluctuations and failures. Power quality systems and services have become increasingly important with the growing use of sensitive computerized, electronic and other equipment requiring continuous power with very little fluctuation in voltage or frequency. As a leading international supplier of intelligent power networks, or smart grids, which use digital technology to improve power reliability, unite large, centralized generation units with small, decentralized ones and achieve cost and energy savings, Siemens through its Power Transmission Division and the offering of its Infrastructure & Cities Sector's Smart Grid Division is responding to and anticipating these market trends.

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

Overall, the Sector's principal customers are large power utilities and independent power producers. Because certain significant areas of the Sector's business, such as power plant construction, involve working on medium- or longer-term projects for customers who may not require the Sector's services again in the short term, the Sector's most significant customers tend to vary significantly from year to year.

The Energy Sector's business activities vary widely in size from component delivery and comparatively small projects to turnkey contracts for the construction of new power plants with contract values of more than 0.5 billion each. The large size of some of the Sector's projects occasionally exposes it to risks related to technical performance, a customer or a country. The Sector has experienced, and may continue to experience significant losses on individual projects in connection with such risks. For example, the Power Transmission

**Table of Contents**

Division is currently building several offshore high voltage direct current grid connections for wind farms in the German North Sea. Some of these projects are delayed and Siemens booked project charges totaling EUR 570 million in fiscal 2012. For additional information about our long-term contracts, see Item 3: Key information Risk factors. Moreover, the Sector generates an increasing portion of its revenue from oil and gas activities and industrial customers in the developing world. While this region represents a growth market for power generation, and transmission products and systems, the Sector's activities in that region expose it to risks associated with economic, financial and political disruptions that could result in lower demand or affect customers' abilities to pay.

While the Sector historically competed primarily with large industrial companies from western countries, emerging market competitors have become more and more important, as they are increasingly expanding their operations beyond the borders of their home markets. The Sector's competitors vary by Division. The Fossil Power Generation Division's market consists of a relatively small number of companies, some with very strong positions in their domestic markets. Its principal competitors in gas turbines are Alstom, General Electric and Mitsubishi Heavy Industries, whereas its main competitors in steam turbines are Alstom, Bharat Heavy Electricals Limited, General Electric and Toshiba. In China, manufacturers are mainly focused on their large home market, but have recently begun to transform from local to international suppliers. The Division aims to participate in growth through a Chinese joint venture. Korean engineering and procurement companies offer a large product and solutions range and establish themselves as one-stop-shops which offer customer solutions out of one hand. In instrumentation and controls, ABB and Emerson Electric are the Division's principal competitors. The principal competitors in the market served by the Wind Power Division are Enercon, Gamesa, General Electric, Goldwind, Sinovel, Suzlon and Vestas. The competitive situation differs between the market segments. In the market for onshore wind-farms, competition is widely dispersed, without any one company holding a dominant share of the market. In contrast, there are only a few major players in the market for technologically more complex offshore wind-farms. Overall, the industry currently suffers from overcapacity and is largely regarded as being in an early stage of consolidation. The principal competitors of the Oil & Gas Division vary by product; in automation and electrical equipment, they are ABB and Honeywell above all, whereas in compressors and steam and gas turbines, they are Dresser Rand, General Electric, MAN Diesel & Turbo and Solar Turbines. Overall, competition in the markets served by the Oil & Gas Division is characterized by a relatively small number of companies, some with a very strong position in the markets and some with a regional focus, playing key roles. The primary competitors of the Power Transmission Division are a small group of large, multinational companies offering a wide variety of products, systems and services. Its key global competitors are ABB and Alstom. Further competition comes from emerging countries, regional and niche manufacturers, such as XD from China, Crompton Greaves from India, HHI from Korea and Mitsubishi Electric from Japan. The Power Transmission Division has entered into several joint ventures in China, which is the Sector's largest national power transmission market.

**HEALTHCARE**

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

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

	<b>Year ended September 30, 2012</b>
Total revenue	13.642 billion
External revenue	13.600 billion
External revenue as percentage of Siemens revenue	17.37 %
Sector profit	1.815 billion

## Table of Contents

The following chart provides a geographic breakdown of the Healthcare Sector's external revenue in fiscal 2012.

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

The **Imaging & Therapy Systems** Division provides a broad range of medical devices for diagnostic imaging and for therapy solutions. Imaging equipment includes computer tomographs, magnetic resonance imaging equipment, and positron emission tomography. Siemens is a market leader in this field. Therapy solutions mainly comprise angiography systems, particle therapy systems, and minimally invasive procedures. These systems are closely linked with imaging equipment, in particular in the area of therapy planning. The Division leverages synergies between imaging equipment and therapy solutions in order to strengthen its leading position in these markets. Starting in fiscal 2011, the Division shifted the focus of certain particle therapy projects primarily to research. For further information, see Item 5: Operating and financial review and prospects Fiscal 2012 compared to fiscal 2011 Segment information analysis Healthcare. In fiscal 2012, the Sector restructured its radiation oncology business and stopped the sales of linear accelerators as of January 1, 2012.

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

The **Diagnostics** Division offers products and services in the area of in-vitro diagnostics. In-vitro diagnostics is based on the analysis of bodily fluids such as blood or urine and supplies vital information for the detection and management of disease as well as an individual patient's risk assessment. The Division's product portfolio represents a comprehensive range of diagnostic testing systems and consumables, including clinical chemistry and immunodiagnostics, molecular diagnostics (i.e., testing for nucleic acids), hematology, hemostasis, microbiology, point-of-care testing and clinical laboratory automation solutions.

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

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

As a large part of Healthcare's revenue stems from recurring business, the Sector's business activities are to a certain extent resilient to short-term economic trends but are dependent on regulatory and policy developments around the world.



**Table of Contents**

The Healthcare Sector faces market risks in connection with ongoing health care reform efforts. In the U.S., a health care reform was enacted in the spring of 2010. In particular in connection with this reform, it is currently expected that an excise tax will be charged on certain medical devices from 2013 onwards. Siemens believes that this tax will impact all businesses except of Audiology.

In fiscal 2012, the Healthcare Sector launched Agenda 2013, a global initiative to grow its innovative capacity and make itself more competitive. Agenda 2013 is the Sector's proactive response to the challenges emerging from a changing market environment. To meet these challenges, Agenda 2013 includes measures targeting innovation, regional presence, competitiveness, and human resource development. These include focused investments in product development and expanded sales activities in growth markets. Agenda 2013 also encompasses a realignment of the radiation therapy business unit that includes rightsizing measures. In addition, Agenda 2013 includes a program to improve the cost position in the Diagnostics Division. For further information, see Item 5: Operating and financial review and prospects Fiscal 2012 compared to fiscal 2011 Segment information analysis Healthcare.

The Healthcare Sector has research and development and OEM cooperation agreements with various companies, including Bruker and Toshiba in the field of magnetic resonance imaging, and Biosense Webster, Mochida and Toshiba and in the field of ultrasound. In fiscal 2012, the Sector announced a strategic global partnership with Varian Medical Systems, providing for joint marketing and sales efforts in the radiation therapy field. The Sector is also party to several joint ventures, including with Philips and Thales to manufacture flat panel detectors for medical imaging.

The Healthcare Sector's principal competitors in medical imaging are General Electric, Philips, Toshiba, Hitachi and Hologic. Other competitors include Roche, Abbott and Danaher for in-vitro diagnostics, McKesson and Cerner for healthcare information technology systems and Sonova, GN Resound, William Demant and Starkey for audiology (hearing aids). The trend toward consolidation in the Sector's industry continues. Competition among the leading companies in the field is strong, including with respect to price.

**INDUSTRY**

The **Industry** Sector offers a broad spectrum of products, services and solutions for the efficient use of resources and energy and improvements of productivity and flexibility in industry. Its integrated technologies and holistic solutions address primarily industrial customers, such as process and manufacturing industries. The portfolio spans industry automation, industrial software and drives products and services, system integration and solutions for industrial plant businesses. After the close of fiscal 2012, the Sector decided to dispose of its business of mechanical, biological and chemical treatment and processing of water.

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

	<b>Year ended September 30, 2012</b>
Total revenue	20.508 billion
External revenue	18.872 billion
External revenue as percentage of Siemens revenue	24.10 %
Sector profit	2.467 billion

The following chart provides a geographic breakdown of the Industry Sector's external revenue in fiscal 2012.

## Table of Contents

The Industry Sector consists of the three Divisions Industry Automation, Drive Technologies and Customer Services as well as the sector-led Metals Technologies Business Unit. Financial results relating to the Customer Services Division are reflected in the Industry Automation Division, the Drive Technologies Division and the Metals Technologies Business Unit and are therefore not reported separately.

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. Furthermore, the Division's offerings in fiscal 2012 comprised equipment and related services for industrial process water, industrial and municipal wastewater treatment such as water purification systems, clarification systems and systems and solutions for water recycling and reuse. As noted above, Industry has decided to divest its business of mechanical, biological and chemical treatment and processing of water. The Division will continue to offer efficient solutions for the control, management and instrumentation of water processes. In fiscal 2012, Industry Automation completed the acquisitions of RuggedCom Inc., a provider of robust, industrial-quality ethernet communication products and network solutions as well as several other acquisitions to enhance its offerings for industrial software. After the close of fiscal 2012, the Division announced the acquisition of LMS International, a provider of mechatronic simulation software that expands and complements the Division's product lifecycle management portfolio.

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. With its e-Car business, the Division develops motors and inverters for electric cars for the automotive industry. 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 addition, the Division offers integrated drive and automation solutions especially for the marine and shipbuilding, minerals and pulp and paper industries, including related services over the lifecycle of the solutions.

The **Customer Services** Division offers a comprehensive portfolio of services and supports industrial customers in their efforts to increase their productivity. The portfolio includes product-related services which seek to enhance reliability, profitability, efficiency and environmental compatibility of industrial plants.

The Sector-led **Metals Technologies** Business Unit offers engineering and plant-building services for the iron and steel industry, as well as for the rolling sector of the aluminum and non-ferrous industries. The Business Unit provides technologies, solutions, and services for metallurgical plants, integrated steelworks and minimills. Its vertically integrated supply capability includes mechanical equipment, drives, motors, electrics, automation, mechatronics, technological packages and all environmental systems.

The Industry Sector's principal customers are industrial customers in a broad range of markets, including transportation and logistics, metals and mining, machinery, utilities and automotive. The Sector is active globally, including in emerging markets, especially those in the Asia, Australia region, which Sector management believes have a long-term 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.

The large size of some of the Sector's projects 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.

**Table of Contents**

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

Average product lifetimes in the Sector's product businesses tend to be short (typically ranging from one to five years from introduction) and are even shorter where software and electronics play an important role. The lifecycles in the solutions businesses tend to be longer, as the Sector supports its customers with significant services through the whole life of their infrastructures. The timing and extent to which a Division of the Industry Sector is affected by economic cycles depends largely on the kind of business activities it conducts. Business activities that tend to react very quickly to changes in the overall economic environment include many of the business activities of Industry Automation and those business activities of Drive Technologies that serve customers in the manufacturing industries. Business activities that are generally affected later by the changes in the overall economic environment include those business activities of Drive Technologies that serve customers in process industries as well as in the energy and infrastructure sector.

The competitors of our Industry Sector can be grouped into multinational companies that offer a relatively broad portfolio and companies that are active only in certain of the geographic or product markets served by the Industry Sector. The Sector's principal competitors with broad portfolios are multinational companies such as ABB, Emerson Electric and Schneider Electric. In the industries in which the Sector is active, consolidation is occurring on several levels. In particular, suppliers of automation solutions have supplemented their activities with actuator or sensor technology, while suppliers of components and products have supplemented their portfolio with complementary products for their sales channels.

The main competitors of the **Industry Automation** Division are ABB, Schneider Electric, Rockwell and Emerson Electric. Within its product lifecycle management business, the Division also competes with, among others, Dassault Systemes and PTC. Competitors of the **Drive Technologies** Division include companies with broad business portfolios such as ABB, Emerson Electric and Mitsubishi Electric but also specialist companies such as Fanuc and SEW. The main competitors of our **Metals Technologies** Business Unit are Danieli and SMS.

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

**INFRASTRUCTURE & CITIES**

The **Infrastructure & Cities** Sector offers a wide range of sustainable technologies for metropolitan centers and urban infrastructures worldwide, such as integrated mobility solutions, building and security systems, power distribution equipment, smart grid applications and low- and medium-voltage products.

The following table provides key financial data concerning the Infrastructure & Cities Sector:

	<b>Year ended September 30, 2012</b>
Total revenue	17.585 billion
External revenue	16.731 billion
External revenue as percentage of Siemens revenue	21.37 %
Sector profit	1.102 billion

## Table of Contents

The following chart provides a geographic breakdown of the Infrastructure & Cities Sector's external revenue in fiscal 2012.

The Sector consists of five Divisions: Rail Systems; Mobility and Logistics; Low and Medium Voltage; Smart Grid; and Building Technologies. Financial results of the Rail Systems and the Mobility and Logistics Divisions are reported together in the Transportation & Logistics Business. Financial results of the Divisions Low and Medium Voltage and Smart Grid are reported together in the Power Grid Solutions & Products Business.

The **Rail Systems** Division comprises Siemens' rail vehicle business. The Division's activities consist mainly of the businesses relating to rail vehicles for mass transit, regional and long-distance transportation, driverless systems, locomotives for passengers or rail freight, traction systems, bogies and onboard power supplies.

The **Mobility and Logistics** Division primarily provides products, solutions (including IT solutions) and services in operating systems for rail transportation such as central control systems, interlockings and automated train controls and for road traffic including traffic detection, information and guidance. After the close of fiscal 2012, Infrastructure & Cities decided to divest its airport logistics business comprised of cargo tracking and baggage handling and its postal automation business comprised of letter and parcel sorting. Also after the close of fiscal 2012, the Division announced its intention to acquire Invensys Rail, the rail automation business of Invensys plc., U.K.

The **Low and Medium Voltage** Division supplies electrical grid operators and large industrial electricity consumers with medium and low-voltage equipment. Furthermore, the Division provides systems and services for the distribution of electrical power from high-voltage transmission grid access to medium or low-voltage grids directing the electrical energy to end consumers and their access points.

The **Smart Grid** Division provides energy automation solutions, smart grid applications, transmission and distribution services, applications for electromobility solutions and rail infrastructure electrification solutions for mainline and mass transit applications. In fiscal 2012, the Division acquired the U.S.-based company eMeter in order to position the Division to expand its energy information and meter data management solutions.

The **Building Technologies** Division offers products, services and solutions for commercial, industrial, public and residential buildings, including building automation, comfort, building safety and security 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 comfort and the environment. The Division's offerings include 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.

The Infrastructure & Cities Sector also holds the Atos S.A. (AtoS) shares and the convertible bond, which Siemens received following the sale of Siemens IT Solutions and Services to AtoS.

The Infrastructure & Cities Sector distributes its products and services through its own dedicated sales force, supported by Siemens' worldwide network of regional companies. In addition, the Divisions of the Sector use, to varying degrees, third-party distributors, panel builders, original equipment manufacturers, value added partners, installers and general contractors.

Overall, the Sector's principal customers are railway operators, public utilities, industrial and infrastructure customers, electrical grid operators, construction and real estate customers and manufacturers of heating,

## Table of Contents

ventilation and air-conditioning solutions. The timing and extent to which a Division of the Infrastructure & Cities Sector is affected by economic cycles depends largely on the kind of business activities it conducts. Business activities that tend to react very quickly to changes in the overall economic environment include Low and Medium Voltage. Divisions where business activities are generally affected later by the changes in the overall economic environment include Smart Grid and Building Technologies. The development of markets served by our Rail Systems Division and Mobility and Logistics Division is primarily driven by public spending. Customers of these Divisions usually have multi-year planning and implementation horizons. They therefore tend to be independent of short-term economic trends.

The Sector is globally active in a broad range of markets, including construction and real estate, transportation and logistics and utilities. The Sector's activities include emerging markets, e.g., those in the Asia, Australia region. While the Sector believes that these markets offer significant growth potential, the Sector's activities in that region expose it to risks associated with economic, financial and political disruptions that could result in lower demand or affect customers' abilities to pay. Some markets, such as those served by our Divisions Rail Systems, Mobility and Logistics and Smart Grid, are significantly influenced by public spending. The large size of some of the Sector's projects (especially in the following Divisions: Rail Systems, Mobility and Logistics and in parts of Building Technologies) 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's principal competitors are multinational companies such as ABB, Alstom, Ansaldo, Bombardier, General Electric, Honeywell, Johnson Controls, Schneider Electric and Tyco. The Sector's competitors vary by Division. The main competitors of the Rail Systems Division and the Mobility and Logistics Division are Alstom, Ansaldo, Bombardier and General Electric. The primary competitors of the Low and Medium Voltage Division are ABB, General Electric, Honeywell and Schneider Electric. The principal competitors of the Smart Grid Division are ABB, Alstom, General Electric, and Schneider Electric. The main competitors of the Building Technologies Division are Honeywell, Johnson Controls, Schneider Electric and Tyco. Infrastructure & Cities also faces competition from niche competitors and from new entrants, such as utility companies and consulting firms, exploiting the fragmented energy efficiency market. The Sector's solution businesses also compete with engineering, procurement and construction (EPC) providers while competitors in the service field often include small local players.

### **EQUITY INVESTMENTS**

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

The main investments within Equity Investments are:

A stake of approximately 50.0% in **Nokia Siemens Networks B.V. (NSN)**, Netherlands: NSN began operations in the third quarter of fiscal 2007 and includes the carrier-related operations of Siemens and the Networks Business Group of Nokia. NSN is a leading supplier in the telecommunications infrastructure industry.

A 50.0% stake in **BSH Bosch und Siemens Hausgeräte GmbH (BSH)**, Germany: BSH is a leading manufacturer of household appliances, offering an extensive range of innovative products tailored to customer needs and global megatrends alike. BSH was founded as a joint venture in 1967 between Robert Bosch GmbH, Germany and Siemens.

A 49.0% stake in **Enterprise Networks Holdings B.V. (EN)**, Netherlands, a provider of open communications, network and security solutions to enterprise customers. EN was founded in fiscal 2008 as a joint venture between The Gores Group, U.S. and Siemens. In the first quarter of fiscal 2012, Siemens closed the sale of its 50% stake in ELIN GmbH & Co. KG (ELIN), Austria, a provider of technical building equipment and installation services to the Ortner Gruppe, Austria.

**Table of Contents**

For additional information on investments held in Equity Investments, see Item 5: Operating and financial review and prospects Fiscal 2012 compared to fiscal 2011 Segment information analysis Equity Investments, Item 7: Major shareholders and related party transactions Related party transactions, as well as Item 18: Financial Statements Notes to Consolidated Financial Statements.

**FINANCIAL SERVICES (SFS)**

**Financial Services** provides a variety of financial services and products both to third parties and to other Siemens entities and their customers. SFS has three strategic pillars: supporting Siemens Sectors with financing solutions for their customers, manage financial risks of Siemens and offering third-party financing services and products. To better achieve this goal, Financial Services intends to grow its business in a profitable, controlled manner.

The following table provides key financial data concerning SFS.

	<b>Year ended September 30, 2012</b>
Total assets	17.405 billion
Total assets as percentage of Siemens assets	16.07 %
Income before income taxes	479 million

SFS business can be divided into capital business and fee business. The capital businesses support activities for Siemens sales as well as third party vendors and customers and consist of leasing, loans, asset-based lending and equity investments (both in infrastructure projects and corporate venture capital). The fee businesses comprise support and advisory activities concerning financial risk and investment management, project & export financing, and arranging of project financing for Siemens projects, treasury & financing services, pension asset/ investment management, insurance brokerage as well as re-insurance of Siemens risks.

SFS conducts its business through seven Business Units: Commercial Finance; Project and Structured Finance Energy; Project-, Structured and Leveraged Finance Healthcare; Project- and Structured Finance Infrastructure and Cities & Industry; Treasury; Financing Services & Investment Management and Insurance. In addition, one Business Segment (Venture Capital) is directly assigned to SFS CEO. The SFS functions Trade Finance Advisory and Corporate Pensions provide advisory and assistance services to the entire Siemens Company. In addition, SFS host a number of functions to support its own business.

The **Commercial Finance** Business Unit offers a comprehensive range of equipment finance, leasing, rental and related financing solutions to organizations of all sizes to finance equipment supplied by Siemens or third-party providers. The focus of Commercial Finance financing solutions is in the medical, industrial, construction, environmental/energy and IT areas. Commercial Finance has customers over many countries, including small- and medium-sized enterprises, corporations and public sector organizations. The Business Unit's large number of customers and diversity of financed equipment helps in its efforts to balance its risk portfolio. Services were provided through a network of Commercial Finance companies, located in 13 countries throughout Europe, Asia Pacific and North America, comprising regulated, partially or non-regulated entities.

The globally active **Project & Structured Finance Energy; Project, Structured & Leverage Finance Healthcare** and **Project & Structured Finance, Infrastructure and Cities & Industry** Business Units offer a broad range of financing solutions in the energy and natural resource, healthcare, industry and infrastructure markets. Their products comprise debt financing, equity participations as well as financial advisory. In addition, the Project, Structured & Leveraged Finance Healthcare Business Unit offers leveraged solutions across all businesses. In debt financing, the Business Units offer solutions ranging from senior secured corporate loans to mezzanine debt and from structured investment financing to infrastructure and project financing. The Business Units aligned their scope to the activities of the four Siemens Sectors. The increased focus on project and structured finance solutions tends to extend the average tenor of SFS financings.

In their financial advisory roles, the Business Units structure, arrange and implement project and structured financing worldwide. Specifically, they review alternate financing solutions and risk-mitigation concepts for projects and are typically engaged in the early stages of projects.

## **Table of Contents**

The **Treasury** Business Unit is mandated by the Corporate Treasurer to provide treasury services to all Siemens entities. These activities comprise cash management and payment (including intercompany payments) services as well as all external Siemens financing activities (especially capital market financing). In addition, it pools and manages centralized Siemens interest rate risk, certain currency and commodity risk exposures and uses derivative financial instruments in transactions with external financial institutions to mitigate such exposures. For more information on the use of derivatives to hedge risk, see Item 11: Quantitative and qualitative disclosure about market risk. Results from Corporate Treasury activities are reported in Eliminations, Corporate Treasury and other reconciling items.

The **Financing Services & Investment Management** Business Unit consists of receivables management and investment management. It is engaged in the process of monitoring and warehousing short-term trade accounts receivable. The investment management function provides investment management services relating to pension assets to Siemens as well as to external institutional clients and management of mutual funds to the general public. The Business Unit operates its investment management business through its company Siemens Kapitalanlagegesellschaft mbH (SKAG), Germany.

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

The **Venture Capital** Business Segment identifies and finances young companies worldwide during their start-up phase. Venture Capital helps Siemens Sectors to access new technological solutions and tap new markets. In addition, Venture Capital supports the Siemens Pension Fund in Germany to structure its private equity portfolio, provides private equity advisory services and manages a venture capital fund of funds.

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

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

SFS main sources of risk are associated with its external credit exposure and its equity portfolio. For further information, see Item 3: Key information Risk factors. In general SFS funds its credit business on a matched funding basis. Therefore, interest risk, foreign currency risk and liquidity risk have a limited impact on SFS' overall risk. Nevertheless, such risks can arise due to unexpected customer payment behavior.

Most of SFS services are geared towards Europe and North America. However, SFS is also actively seeking to expand its on-balance sheet financing business in China, Russia and India, in order to better support Siemens regional companies and clusters with financial services.

SFS competition mainly includes commercial finance operations of banks, independent commercial finance companies, captive finance companies and asset management companies. International competitors include BNP Paribas Equipment Finance, De Lage Landen, General Electric Commercial Finance, Macquarie and Société Générale Equipment Finance. Particularly in the commercial finance business, SFS competitors are often local financial institutions and competition therefore varies from country to country.

**Table of Contents****EMPLOYEES AND LABOR RELATIONS**

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

Employees by segments <sup>(1)</sup>	As of September 30,		
	2012	2011	2010
	(in thousands)		
Energy	86	82	74
Healthcare	51	51	49
Industry	105	103	96
Infrastructure & Cities	89	87	82
Financial Services	3	3	2
Other <sup>(2)</sup>	35	35	32
<b>Total</b>	<b>370</b>	<b>359</b>	<b>335</b>

(1) Continuing operations.

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

Employees by geographic regions <sup>(1)</sup>	As of September 30,		
	2012	2011	2010
	(in thousands)		
Europe, C.I.S., Africa, Middle East	222	217	204
<i>therein Germany</i>	<i>119</i>	<i>116</i>	<i>110</i>
Americas	84	82	78
<i>therein U.S.</i>	<i>57</i>	<i>56</i>	<i>53</i>
Asia, Australia	63	60	52
<i>therein China</i>	<i>31</i>	<i>29</i>	<i>26</i>
<i>therein India</i>	<i>19</i>	<i>18</i>	<i>14</i>
<b>Total</b>	<b>370</b>	<b>359</b>	<b>335</b>

(1) Continuing operations.

During 2012, we had an average of 44,000 temporary employees in our continuing and discontinued operations.

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

During the last three years, we have not experienced any labor disputes that significantly affected our operations.



**ENVIRONMENTAL MATTERS**

In each of the jurisdictions in which we operate, Siemens is subject to national and local environmental and health and safety laws and regulations that affect our operations, facilities, products and, in particular, our former nuclear power generation business. These laws and regulations impose limitations on the discharge of pollutants into the air, soil and water and establish standards for the treatment, storage and disposal of solid and hazardous waste. Whenever necessary, remediation and clean up measures are implemented and budgeted accordingly. Because of our commitment to protecting and conserving the environment and because we recognize that

## **Table of Contents**

leadership in environmental protection is an important competitive factor in the marketplace, we have incurred significant costs to comply with these laws and regulations and we expect to continue to incur significant compliance costs in the future.

In 1994, we closed a site in Hanau, Germany, which we had used for the production of uranium and mixed-oxide fuel elements. A smaller related site in Karlstein, where we operated a nuclear research and service center, was closed in 1989. We are in the process of cleaning up both facilities in accordance with the German Atomic Energy Act (Atomgesetz). We have developed a plan to decommission the facilities that involves the following steps: clean-out, decontamination and disassembly of equipment and installations, decontamination of the facilities and buildings, sorting of radioactive materials and intermediate and final storage of radioactive waste. This process will be supported by ongoing engineering studies and radioactive sampling under the supervision of German federal and state authorities. We expect that the process of decontamination, disassembly and sorting of radioactive waste will continue until 2015. We will be responsible for storing the material until the government-developed storage facility becomes available. With respect to the Hanau facility, the process of setting up intermediate storage for radioactive waste has neared completion and the facility has been released from the scope of application of the German Atomic Energy Act so that its further use is unrestricted under that Act. However, the State of Hessen still requires us to monitor the ground water until uranium levels consistently meet targets set by the State. The ultimate costs of this project will depend, in part, on where the government-developed storage facility will be located and when it becomes available. We set up a provision with respect to this matter, which as of September 30, 2012 amounted to 1.224 billion. This provision is based on a number of significant estimates and assumptions as to the ultimate costs of this project. Several parameters relating to the development of a final storage facility for radioactive waste were specified based on the so called Schacht Konrad final storage. Parameters related to the life-span of the German nuclear reactors reflect a planned phase-out until 2022. For additional information on our asset retirement obligations attributable to environmental clean-up costs, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

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

In 2011 the review of the RoHS Directive by the EU Commission resulted in the publication of Directive 2011/65/EU (the RoHS II Directive) which will replace the RoHS Directive and, after national transposition, will lead inter alia to changes in the future scope of the ban to encompass use of certain hazardous substances in electrical and electronic equipment (e.g., inclusion of medical equipment by July 2014) and the requirement for manufacturers to declare the conformity of products with the Directive. During the review process, the exemptions from the RoHS Directive were also amended. We are in preparation to adapt relevant business processes to the expected changes of the RoHS II Directive.

The EU Commission's recent review of Directive 2002/96/EC on Waste Electrical and Electronic Equipment (the WEEE Directive) resulted in publication of new Directive 2012/19/EU (the new WEEE Directive). Within the next six years the scope of this new WEEE Directive will remain comparable to the existing WEEE Directive. After this period, additional requirements could result from the inclusion of photovoltaic panels into the scope of the new WEEE Directive. Due to our recent decision to phase out our solar business, we currently do not expect to incur substantial costs as a result of these additional requirements.

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

We are also subject to the Regulation (EC) No 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), which

**Table of Contents**

entered into force in part on June 1, 2007. We do not expect to incur substantial costs to comply with the current version of the REACH regulation. We plan to implement any additional measures which may be necessary for us to comply with possible future enhancements of this regulation.

The experience of the last two years has shown that neither the Directive 2004/35/EC of the European Parliament and of the Council on Environmental Liability with Regard to the Prevention and Remediation of Environmental Damage nor the applicable remediation measures for damage to protected species and natural habitats, have yet had any impact on Siemens. Nevertheless we continue to maintain insurance coverage for these risks, which is available in the market.

It is our policy to comply with environmental requirements and to provide workplaces for employees that are safe, environmentally sound, and that do not adversely affect the health or environment of their communities. Compliance with environmental requirements is also a focus of the environmental process reviews we conduct. In remediation of the results of recent environmental process reviews additional cost for the implementation and operation of R&D, production and modified logistic processes may be incurred over the next three years. Taking such remediation measures into account, we believe that we are in substantial compliance with all relevant environmental and health and safety laws and regulations. However, there is a risk that we may incur expenditures significantly in excess of our expectations to cover environmental liabilities, to maintain compliance with current or future environmental and health and safety laws and regulations and/or to undertake any necessary remediation.

**ENVIRONMENTAL PORTFOLIO**

<b>Key performance indicators</b>	<b>Fiscal year ended</b>	
	<b>September 30, 2012</b>	<b>2011</b>
Revenue generated by the Siemens Environmental Portfolio (continuing operations; in billions of )	33.2	30.2
Accumulated annual customer reductions of carbon dioxide emissions generated by elements from the Siemens Environmental Portfolio (continuing operations; in millions of tons)	332	257

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

In addition to its environmental benefits, our Environmental Portfolio enables us to compete successfully in attractive markets and generate profitable growth. In fiscal 2010, we set ourselves a revenue target for the Environmental Portfolio within the One Siemens framework: to exceed 40 billion in revenue from the Environmental Portfolio by the end of fiscal 2014. We continue to strive for that goal, although due to the planned disposal of OSRAM, our Water Technologies Business Unit, and our solar business it will be much more challenging to achieve it.

In fiscal 2012 revenues from continuing operations from the Environmental Portfolio amounted to 33.2 billion, up from comparable revenues of 30.2 billion in the previous fiscal year. Therefore our Environmental Portfolio accounted for 42% of our revenues from continuing operations in fiscal 2012. These revenues include revenues from newly developed and additionally qualified elements, and exclude revenues from elements that no longer fulfill our qualifications.

With our Environmental Portfolio we intend, among other things, to help our customers reduce their carbon dioxide footprint, cut their energy costs and improve their profitability through an increase in productivity. Taking together all elements of the Environmental Portfolio that were installed at customer locations since the beginning of fiscal 2002 and remain in use today, we have reduced customer carbon dioxide emissions by 332 million tons in fiscal 2012, equaling 41% of Germany's total annual carbon dioxide emissions in calendar year 2010.

## **Table of Contents**

### **REPORTING PRINCIPLES**

We report the revenue from our Environmental Portfolio and the annual customer reductions of carbon dioxide emissions generated by it in accordance with internal regulations defined in our Environmental Portfolio Guideline. This Guideline is based on the Reporting Principles of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, revised edition, and the Greenhouse Gas Protocol for Project Accounting; both published by World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD).

Those principles are relevance, completeness, consistency, transparency, accuracy and conservativeness. As there are currently no accepted international standards for identification and reporting of so-called green products, we are engaging in standardization activities with external organizations. The revenue generated by the Environmental Portfolio is recognized in accordance with revenue recognition policies as described in Item 18: Financial Statements Notes to Consolidated Financial Statements Note 2.

### **GOVERNANCE PROCESSES AND DEFINITIONS**

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

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

### **CRITERIA FOR INCLUSION OF ENVIRONMENTAL PORTFOLIO ELEMENTS**

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

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

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

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

## **Table of Contents**

### **BASELINE METHODS**

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

### **REPORTING ESTIMATES**

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

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

As in previous years, we again commissioned an independent accounting firm with a limited assurance engagement to review the reported results for our Environmental Portfolio for fiscal 2012. This review was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information. Nothing came to the attention of the independent accounting firm that would cause them to believe that the section Siemens Environmental Portfolio 2012 of the Environmental Portfolio Report 2012 containing the revenues generated by the Environmental Portfolio and the annual customer reduction of carbon dioxide emissions attributable to it has not been prepared, in all material respects, in accordance with the defined reporting principles.

### **PROPERTY**

Siemens operates more than 290 **major production and manufacturing plants** in more than 40 countries worldwide, including facilities at certain joint ventures and associated companies. A major production and manufacturing plant is defined as a facility at the Business Unit level, in which raw or source materials are transformed into finished goods on a large scale by using equipment and production resources such as machines, tools, energy and labor. Around 150 major production and manufacturing plants are located in the region Europe, C.I.S., Africa, Middle East; around 80 major production and manufacturing plants are located in the region Americas and around 70 major production and manufacturing plants are located in the region Asia, Australia. With around 110 major production and manufacturing plants, the Energy Sector accounts for the greatest

## **Table of Contents**

proportion of these, followed by the Infrastructure & Cities Sector (around 80 major facilities), the Industry Sector (around 70 major facilities) and the Healthcare Sector (around 40 major facilities).

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

Siemens' principal executive offices are located in Munich, Germany.

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

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

## **INTELLECTUAL PROPERTY**

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

## **RESEARCH AND DEVELOPMENT**

### **RESEARCH AND DEVELOPMENT ORGANIZATION AND STRATEGY**

In fiscal 2012, we continued to focus on the following areas in research and development (R&D):

- (1) ensuring long-term future viability,
- (2) enhancing technological competitiveness, and
- (3) optimizing the allocation of R&D resources.

Our R&D activities are geared toward ensuring sustainable energy supplies, which is essential to our long-term viability and competitiveness in the energy and infrastructure industries. Accordingly, major focus areas include:

increasing the efficiency of both renewable and conventional power generation,

improving low-loss power transmission, and

finding new solutions for intelligent power networks (smart grids), carbon dioxide separation in power plants, and energy storage systems for volatile renewable energies.

Another major focus is promoting more efficient energy use in buildings, industrial facilities, and the transport sector for example through the development of electric drives and faster charging stations for electric vehicles.

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Across all focus areas, we recognize the vital importance of sophisticated software solutions not just for the areas mentioned above but also in nearly all of the other fields in which Siemens is active. Siemens software was used, for example, to virtually develop, build, test, and continually optimize the Red Bull Formula 1 championship-winning car throughout the 2011 season. The same is true of the Mars rover Curiosity, which landed on the red planet in August 2012. Siemens software was used here to digitally design, assemble, and test a virtual rover before the first prototype was even constructed.

R&D activities are carried out by both our Sectors and our Corporate Technology (CT) department. The Sectors focus their R&D efforts on the next generations of their products and solutions. In contrast, the aim of CT is to be a strong innovation partner for operational units and to help secure our technology and innovation future while strengthening Siemens as an integrated technology company.

**Table of Contents**

CT has more than 7,000 employees and is set up as a worldwide network with primary locations in Germany, the U.S., Austria, Russia, India, and China. Among CT's employees, approximately 4,000 software engineers at locations in Asia, Europe and the Americas develop and implement software for new products and services for our Sectors. CT makes important contributions along the entire value chain, from research and development to production technology, manufacturing processes, and testing procedures.

The technology fields cover all technological areas of Siemens. They include research on materials that help make our products more efficient and the creation of IT platforms, security solutions, software architecture, technical systems, energy technologies, sensors, and electronic components. CT also conducts research into new solutions for automation, medical information systems, and imaging processes. This portfolio is supplemented by innovation projects for electric mobility, sustainable urban development, and biotechnology in other words, fields with major strategic importance for us. All of CT's activities are chosen to optimize the allocation of R&D resources, with a balance between support for the Sectors' current offerings and development of longer-term opportunities.

CT also strategically handles the intellectual property of Siemens. Around 350 experts help the Company register patents and trademarks, establish them, and put them to profitable use. CT also acts as a coordinator and leader with regard to key strategic issues at Siemens, such as lean management and production, standardization, and project management.

Cooperations with universities and non-university research institutes make an important contribution to Siemens' capacity to innovate. The key goals of these partnerships are:

tapping the potential for joint research and development projects,

developing and extending the network of universities or research institutes with which Siemens works and increasing communication between Siemens and these universities or institutes, and

strengthening the appeal of Siemens to highly qualified young people as a potential employer.

In addition, Siemens takes part in publicly funded research programs. The most important research areas include the development of sustainable technologies, the networking of machines, and the creation of new materials and sustainable recycling.

**RESEARCH & DEVELOPMENT FIGURES**

In fiscal 2012, we recognized research and development expenses of 4.238 billion, compared to 3.899 billion in fiscal 2011 and 3.547 billion in fiscal 2010. The resulting R&D intensity, defined as the ratio of R&D expenses and revenue, of 5.4% was higher than in fiscal 2011 and fiscal 2010.

R&D expenses and intensities for the Sectors in fiscal 2012, 2011 and 2010 were as follows:

	R&D expenses (in millions of €)			R&D intensity		
	FY 2012	FY 2011	FY 2010	FY 2012	FY 2011	FY 2010
Energy	840	756	651	3.0%	3.1%	2.9%
Healthcare	1,314	1,173	1,116	9.6%	9.4%	9.0%
Industry	1,215	1,128	993	5.9%	5.8%	5.7%
Infrastructure & Cities	699	696	591	4.0%	4.1%	3.6%



**Table of Contents**

Corporate Technology incurred additional R&D expenses.

R&D indicators <sup>(1)</sup>	FY 2012	FY 2011
	(in thousands)	
Employees <sup>(2)</sup>	29.5	27.7
Inventions <sup>(3)</sup>	8.9	8.6
First patent applications <sup>(4)</sup>	4.6	4.3

(1) Continuing operations.

(2) Average number of employees in fiscal year.

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

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

In our continuing operations, we had an average of approximately 12,900 R&D employees in Germany and approximately 16,700 R&D employees in about 30 countries outside of Germany during fiscal 2012, including the U.S., China, Austria, India, Slovakia, Switzerland, the U.K., Croatia, Sweden, Denmark, Mexico, and France.

As of September 30, 2012, the Company held approximately 57,300 patents worldwide in its continuing operations, compared to approximately 53,300 patents as of September 30, 2011. In terms of the number of published patent applications in calendar year 2011, Siemens in total ranked third in Germany and for the second consecutive year first in Europe. In terms of the number of patents granted in the U.S., Siemens in total ranked tenth in calendar year 2011.

Positions in patent office statistics	2011	2010	2009
Germany German Patent and Trademark Office (DPMA)	3	3	3
Europe European Patent Office (EPO)	1	1	2
U.S. United States Patent and Trademark Office (US PTO)	10	9	13

**RESEARCH & DEVELOPMENT IN THE SECTORS**

Our R&D activities in the **Energy** Sector are focused on developing processes for the efficient generation and transmission of electrical energy. Major R&D areas in this respect are the development of

technologies for low-loss electricity transmission,

advanced gas turbines that increase the efficiency and reduce emissions of power plants,

combined cycle power plants to increase the availability of electricity through higher flexibility,

wind turbine innovations,

technologies that extract the greenhouse gas carbon dioxide from the flue gas that occurs during fossil fuel-fired power generation (carbon capture and storage), and

a subsea power grid to extract deep-sea oil and natural gas drilling economically.

Examples of research and development at Energy include Type B75 rotor blades for wind turbines, each of which has a length of 75 meters; this makes them, to our knowledge, the longest rotor blades in operation in the world at the moment. At 25 tons, the B75 is also a lightweight, as it is 10% to 20% lighter than similar rotor blades. Heavy rotor blades are subjected to higher stress loads and also require more massive nacelles, towers, and foundations. Intelligent design and low weight therefore have a positive effect on the cost of electricity produced.

In 2011, a combined cycle power generation island delivered by Siemens in Irsching, Germany, proved an unprecedented net efficiency rating of 60.75% at an output of 578 megawatts. An even more efficient combined cycle plant will soon be built in Düsseldorf. With an anticipated efficiency rating of more than 61% and a previously unattained district heating range, Siemens expects to set new records in both categories. The total capacity factor for natural gas as a fuel will reach around 85%.

## Table of Contents

High-voltage direct-current (HVDC) technology is now making it possible to transport electricity over great distances with minimal losses. In 2009, Siemens put the first overhead HVDC line into operation with an unprecedented direct current capacity of 800,000 volts. Siemens recently successfully tested its first HVDC transformer technology with a voltage of 1.1 million volts. The higher the voltage carried by HVDC cables, the lower the transmission losses and the higher the transmission capacity.

R&D activities in our **Healthcare** Sector focus on meeting customer challenges from three major trends: the world's population continues to grow rapidly and to get older. In addition, older people make up a higher percentage of the population. These trends put increasing pressure on healthcare providers to gather more accurate diagnostic information more efficiently about a wider range of potential disease conditions and to integrate that information more effectively with treatment options.

One focus area involves combining various imaging methods that provide increasingly detailed and faster three-dimensional insights into the body of a patient, while subjecting him or her to less discomfort. We combine such imaging processes with therapeutic measures, laboratory diagnostics, and information technology to create more coordinated workflows. One example is the world's only fully integrated whole-body magnetic resonance (MR) and positron emission tomography (PET) system, Biograph mMR, which for the first time allows physicians to simultaneously see the position of organs within the body, their function, and their metabolism. In this way they can, for example, see the position of a tumor, identify its type, and observe its activity.

Another focus area is automating clinical work processes and optimizing laboratory diagnostics, which puts physicians in a position to identify diseases even more precisely and at an earlier stage. Physicians are then able to tailor therapies more closely to a patient's needs, by monitoring the effect of medications more accurately and exploiting the evaluation and analytical capabilities of modern computer technology. The Sector also develops products that meet the specific, targeted requirements of the healthcare systems of emerging countries.

Among the R&D priorities in the **Industry** Sector is the software-based integration of product planning and production processes within the framework of product lifecycle management. The objective is to accelerate processes at every point along the value chain, so that time to market can be reduced by as much as 50%. The further development of automation technology, and industrial IT and industry software in particular, plays a major role here. This is especially true in the case of metal production, where the IT-supported planning and operation of entire steel mills has significantly changed and will further influence manufacturing processes in the steel sector. In addition, the Industry Sector also strives to achieve greater energy efficiency, reduce raw material consumption, and reduce emissions. These objectives also guide the development of technology-based service concepts such as energy management and remote maintenance systems, and the creation of efficient solutions for steel production that also conserve resources.

R&D activities in our **Infrastructure & Cities** Sector focus on urban growth issues. Main research fields therefore cover sustainable technologies for major metropolitan areas and their infrastructures. The aims are to increase energy efficiency, reduce burdens on the environment, and improve the overall economy and the quality of life in cities. To this end, the Sector develops building technologies that conserve energy, solutions for ensuring an efficient and secure supply of electricity in cities, and intelligent traffic and transport systems. Examples here include the extremely light and almost fully recyclable Inspiro modular subway train, and the Desigo building management system, which integrates several system components within the buildings themselves, and which also leads to significant energy savings. In addition, researchers are looking for ways to integrate buildings into smart grids so as to allow them to transfer the electricity they produce into the network and provide additional power during peak demand times. One innovative technology that can be used for this is SIESTORAGE – a modular storage unit that balances out the power generation fluctuations that are typical of electricity produced from renewable sources by stepping in to provide energy during brief power outages.

## **SUPPLY CHAIN MANAGEMENT**

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

## Table of Contents

In fiscal 2012, Siemens purchasing volume, i.e. external spend, amounted to approximately 40 billion which equals roughly half of our total revenue.

We focused on continuing to enhance our supply chain management and strengthening Siemens competitiveness by achieving substantial savings. The main enablers for that were already part of the Supply Chain Management initiative that was successfully completed prior to fiscal 2012. In line with our strategic priorities, we further developed and continuously rolled out our enablers for leveraging saving potential. These enablers include

**Siemens-wide managed volume:** We bundle more than half of our purchasing volume on the corporate level where it is managed by dedicated organizations for both direct and indirect material. For the direct material, we set up more than 20 category management teams and started more than 200 cross-functional commodity engineering projects aiming to bring down material cost together with our suppliers. The strategic and operational procurement for all indirect material throughout Siemens has been brought together in a global organization. By integrating the former procurement offices for indirect material in the Sectors and regions, we achieve substantial economies of scale effects through worldwide bundling of volume and consolidation of resources.

**Sourcing from emerging markets:** One essential element of moving towards a globally balanced supply chain network is to constantly increase the share of sourcing from emerging markets (Global Value Sourcing countries, GVS). To accomplish this goal, we identify, select and fully qualify suppliers from Global Value Sourcing countries, and engage them in a continuous development process thereafter. Additionally, we encourage and support our suppliers to expand their operations in order to follow our manufacturing footprint in Global Value Sourcing countries. In fiscal 2012 we further increased our GVS share on a comparable basis.

**E-sourcing:** We significantly increased the share of external purchases that we award via electronic bidding over the last few years from low single digit levels to significantly more than 10%.

Strengthening Siemens innovation power by leveraging our supplier network is another strategic priority. With our Siemens Supplier Forum we have established a platform for the regular dialogue on CEO level with our top strategic suppliers, aiming to ensure long-term cost leadership, realize shared growth potential and sustainably increase innovation capabilities. To promote outstanding suppliers for their excellence, we have introduced the Siemens Supplier Awards for a number of categories.

As in previous years, the supply chain management organization had to face external challenges in fiscal 2012. Although the strong pricing pressure in supplier markets declined compared to fiscal 2011, we see indications from the geopolitical environment that prices may increase again in the near future. Despite this possibility, we expect to maintain the procurement savings gains and overall productivity increases for Siemens that our supply chain management organization has achieved in recent years.

Another important topic for our supply chain management is sustainability in our supply chain. We require all of our suppliers to comply with the principles of our Code of Conduct for Siemens Suppliers and to support its implementation in their own supply chains as well. We also continued with worldwide on-site sustainability audits by external experts to ensure the compliance with our standards and to encourage sustainable business conduct throughout our entire global supply chain. In addition, we further rolled out our Siemens Energy Efficiency Program for suppliers. We work with our suppliers to conduct environmental and energy efficiency checks of their own facilities, so they can identify opportunities for reducing their consumption of energy and

## **Table of Contents**

other resources. In this regard, we draw upon the expertise and know-how gained in connection with our own environmental program and our Environmental Portfolio. By the end of fiscal 2012, more than 900 of our suppliers worldwide have completed these comprehensive assessments and nearly 400 others are involved in the program.

## **LEGAL PROCEEDINGS**

### **PUBLIC CORRUPTION PROCEEDINGS**

#### **Governmental and related proceedings**

As previously reported, in May 2011 Siemens AG voluntarily reported a case of attempted public corruption in connection with a project in Kuwait in calendar 2010 to the U.S. Department of Justice, the SEC, and the Munich public prosecutor. The Munich public prosecutor discontinued the investigations, which related to certain former employees, but imposed conditions on them. Siemens is cooperating with the U.S. authorities in their ongoing investigations.

As previously reported, in July 2011 the Nuremberg-Fuerth public prosecutor notified Siemens AG of an investigation against several employees in connection with payments related to the healthcare business in the Caribbean. In November 2012, the Nuremberg-Fuerth public prosecutor discontinued its investigation.

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

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

As previously reported, in 2011, the Brasilia public prosecutor, Brazil, opened proceedings to assess allegations against Siemens in connection with a metro project in calendar 2007. Siemens is cooperating with the authority.

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

As previously reported, in calendar 2008 the São Paulo public prosecutor, Brazil, started certain investigations into the use of business consultants and suspicious payments in connection with the former Transportation Systems Group in or after calendar 2000. In fiscal 2011 Siemens learned that this investigation was not discontinued in calendar 2009 but treated confidential. Siemens is cooperating with the authority.

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

## Table of Contents

Company is cooperating with the Argentinean Authorities. The Argentinean investigative judge also repeatedly requested judicial assistance from the Munich public prosecutor and the federal court in New York. In December 2011, the U.S. Securities and Exchange Commission (SEC) and U.S. Department of Justice filed an indictment against nine individuals based on the same facts as the investigation of the Argentinean Anti-Corruption Authority. Most of these individuals are former Siemens employees. The former member of the Managing Board of Siemens AG, Dr. Uriel Sharef, is also involved. Siemens AG is not party to the proceedings.

As previously reported, in February 2010 a Greek Parliamentary Investigation Committee (GPIC) was established to investigate whether any politicians or other state officials in Greece were involved in alleged wrong-doing of Siemens in Greece. The GPIC's investigation was focused on possible criminal liability of politicians and other state officials. Greek public prosecutors are separately investigating certain fraud and bribery allegations involving among others former board members and former executives of Siemens A.E., Elektrotechnische Projekte und Erzeugnisse, Greece (Siemens A.E.), and Siemens AG. In January 2011, the GPIC alleged in a letter to Siemens A.E. that the damage suffered by the Greek state amounted to at least 2 billion. Furthermore, the GPIC issued a report repeating these allegations. In addition, the Hellenic Republic Minister of State indicated in a letter to Siemens that the Greek state will seek compensation from Siemens for the alleged damage. In April 2012, the Greek Parliament approved a settlement agreement between Siemens and the Greek State, the material provisions of which include the following: Siemens waives public sector receivables in the amount of 80 million. Furthermore Siemens agrees to spend a maximum of 90 million on various anti-corruption and transparency initiatives, as well as university and research programs and to provide 100 million of financial support to Siemens A.E. to ensure its continued presence in Greece. In exchange, the Greek State agrees to waive all civil claims and all administrative fines related to the corruption allegations and to utilize best efforts to resolve all pending disputes between Siemens and the Greek state-companies or its public authorities.

In February 2012, the Munich public prosecutor notified Siemens AG of a request for mutual assistance in criminal matters by a foreign authority. The investigation of the foreign authority involves a Siemens subsidiary located in North West Europe in connection with alleged payments to employees of a Russian company between calendar 1999 and 2006. In November 2012, the foreign authority notified Siemens about its intention to bring a charge against two individuals and to open proceedings against Siemens. Siemens is cooperating with the authorities.

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

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

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

As previously reported, in December 2009, the ACC sent a request for information to Siemens Bangladesh related to telecommunications projects of Siemens former Communications (Com) Group undertaken prior to

## **Table of Contents**

calendar 2007. In January 2010, Siemens Bangladesh was informed that in a related move the Anti Money Laundering Department of the Central Bank of Bangladesh is conducting a special investigation into certain accounts of Siemens Bangladesh and of former employees of Siemens Bangladesh in connection with transactions for Com projects undertaken in the period from calendar 2002 to 2006. In February 2010 and June 2012, the ACC sent requests for additional information.

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

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

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

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

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

## **Civil litigation**

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

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

## **Table of Contents**

### **ANTITRUST PROCEEDINGS**

As previously reported, in February 2007, the European Commission launched an investigation into possible antitrust violations involving European producers of power transformers, including Siemens AG and VA Technologie AG, Austria (VA Tech), which Siemens acquired in July 2005. The German Antitrust Authority (Bundeskartellamt) has become involved in the proceeding and is responsible for investigating those allegations that relate to the German market. Power transformers are electrical equipment used as major components in electric transmission systems in order to adapt voltages. In October 2009, the European Commission imposed fines totaling 68 million on seven companies with regard to a territorial market sharing agreement related to Japan and Europe. Siemens was not fined because it had voluntarily disclosed this aspect of the case to the authorities. The German Antitrust Authority continued its investigation with regard to the German market. In September 2012, the German Antitrust Authority and the Company ended the legal proceeding by entering into a settlement agreement. Siemens agreed to pay a fine in the single-digit million range.

As previously reported, in April 2007, Siemens AG and former VA Tech companies filed actions before the European Court of First Instance in Luxemburg against the decisions of the European Commission dated January 24, 2007, to fine Siemens and former VA Tech companies for alleged antitrust violations in the European Market of high-voltage gas-insulated switchgear between calendar 1988 and 2004. Gas-insulated switchgear is electrical equipment used as a major component for power substations. The fine imposed on Siemens AG amounted to 396.6 million and was paid by the Company in calendar 2007. The fine imposed on former VA Tech companies, which Siemens AG acquired in July 2005, amounted to 22.1 million. In addition, former VA Tech companies were declared jointly liable with Schneider Electric for a separate fine of 4.5 million. In March 2011, the European Court of First Instance dismissed the case regarding the fine imposed on Siemens AG and re-calculated the fines for the former VA Tech companies. Former VA Tech companies were declared jointly liable with Schneider Electric for a fine of 8.1 million. Siemens AG and former VA Tech companies appealed the decision in May 2011.

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

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

In connection with the January 24, 2007 decision of the European Commission regarding alleged antitrust violations in the high-voltage gas-insulated switchgear market, claims are being made against Siemens. Among others, a claim was filed by National Grid Electricity Transmission Plc. (National Grid) with the High Court of England and Wales in November 2008. Twenty-one companies have been named as defendants, including Siemens AG and various of its subsidiaries. National Grid originally asserted claims in the aggregate amount of approximately £249 million for damages and compound interest. In November 2012, National Grid increased the aggregate amount to £364 million due to accrued compound interest. Siemens believes National Grid's claim to be without merit. As discussed, the European Commission's decision has been appealed to the European Court of First Instance. In June 2009, the High Court granted a stay of the proceedings pending before it. In June 2009, the Siemens defendants filed their answers to the complaint and requested National Grid's claim to be rejected. A case management conference was held in November 2012. The High Court of England and Wales lifted the stay of the proceedings granted in June 2009 and decided on the scope of further discovery and set a time schedule leading up to a court session expected to be held in 2014.

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

As previously reported, in December 2010 and in March 2011, the Turkish Antitrust Authority searched the premises of several diagnostic companies including, among others, Siemens Healthcare Diagnostik Ticaret



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**Table of Contents**

Limited Sirketi in Turkey, in response to allegations of anti-competitive agreements. Siemens cooperated with the authority. In May 2012, the Turkish Antitrust Authority decided that the law has not been violated, and discontinued the proceedings.

As previously reported, the Italian Antitrust Authority searched the premises of several healthcare companies, among others those of Siemens Healthcare Diagnostics S.r.l. and Siemens S.p.A. in February 2010. The investigation addresses allegations of anti-competitive agreements in relation to a tender of the procurement entity for the public healthcare sector in the region of Campania for the supply of medical equipment in calendar 2009. In May 2011, the Italian Antitrust Authority sent a Statement of Objections to the companies under investigation which confirmed that the proceedings against Siemens Healthcare Diagnostics S.r.l. were closed, but accused Siemens S.p.A. of having participated in an anti-competitive arrangement. In August 2011, the Italian Antitrust Authority fined several companies, including Siemens S.p.A. for alleged anti-competitive behavior. The fine imposed on Siemens S.p.A. amounts to 1.1 million. The company appealed the decision. In April 2012, the Regional Administrative Court overturned the decision of the Italian Antitrust Authority. In November 2012, the Italian Antitrust Authority appealed the decision of the Regional Administrative Court.

As previously reported, in September 2011, the Competition Commission of Pakistan requested Siemens Pakistan Engineering Co. Ltd., Pakistan (Siemens Pakistan), to present its legal position regarding an alleged anti-competitive arrangement since calendar 2007 in the field of transformers and air-insulated switchgears. Siemens cooperated with the authority. In December 2011, Siemens Pakistan filed a leniency application. In April 2012, the Competition Commission of Pakistan accepted the leniency application and granted Siemens Pakistan a 100% penalty reduction for the alleged behavior.

As previously reported, in October 2011, the local Antitrust Authority in Rovno, Ukraine, notified DP Siemens Ukraine (Siemens Ukraine) of an investigation into anti-competitive practices in connection with a delivery of medical equipment to a public hospital in calendar 2010. Siemens cooperated with the authority. The authority imposed a fine in an amount equivalent to 4,000. Siemens Ukraine did not appeal the decision.

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

In May 2012, the Brazilian Anti Trust Authority notified Siemens Ltda., Brazil of an investigation into anti-trust behavior in the field of air-insulated switchgear and other products from calendar 1997 to 2006. Siemens is cooperating with the authorities.

**OTHER PROCEEDINGS**

As previously reported, Siemens AG is a member of a supplier consortium that has been contracted to construct the nuclear power plant Olkiluoto 3 in Finland for Teollisuuden Voima Oyj (TVO) on a turnkey basis. Siemens AG's share of the consideration to be paid to the supplier consortium under the contract is approximately 27%. The other member of the supplier consortium is a further consortium consisting of Areva NP S.A.S. and its wholly-owned subsidiary, Areva NP GmbH. The agreed completion date for the nuclear power plant was April 30, 2009. Completion of the power plant has been delayed for reasons which are in dispute. In December 2011, the supplier consortium informed TVO that the completion of the plant is expected in August 2014. The supplier consortium and TVO currently assess potential further slippage in the schedule. The final phases of the plant completion require the full cooperation of all parties involved. In December 2008, the supplier consortium filed a request for arbitration against TVO demanding an extension of the construction time, additional compensation, milestone payments, damages and interest. In June 2011, the supplier consortium increased its monetary claim to 1.94 billion (and has not updated it since then). TVO rejected the claims and made counterclaims against the supplier consortium consisting primarily of damages due to the delay. In June 2012, the arbitral tribunal rendered a partial award ordering the release of withheld milestone payments to the supplier consortium of approximately 101 million plus interest. As of September 2012, TVO's alleged counterclaims amounted to 1.59 billion based on a delay of up to 56 months. Based on a completion in August

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**Table of Contents**

2014, TVO estimates that its counterclaims amount to 1.77 billion. The further delay of more than 56 months (beyond December 2013) as well as the potential materialization of further schedule uncertainties in the completion of the plant could lead TVO to further increase its counterclaims. The arbitration proceedings may continue for several years.

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

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

As previously reported, OSRAM is party to a number of patent lawsuits involving Samsung group companies and LG group companies. On the one hand, OSRAM has sued Samsung group companies and/or LG group companies and some of the customers of these companies in the U.S., South Korea, Germany, China and Japan for patent infringements, and is requesting injunctions against unauthorized use of the asserted patents and, in some cases, import bans and compensation. In addition, OSRAM has commenced patent invalidation lawsuits relating to LG patents and Samsung patents on Light Emitting Diode (LED) technology in South Korea and relating to LG patents on LED technology in China, Germany and the US. Samsung group companies and/or LG group companies have, on the other hand, initiated patent invalidation lawsuits relating to OSRAM patents on LED technology, in particular white LEDs, in South Korea, Germany, the US, China and Japan. In addition, Samsung group companies and/or LG group companies have filed patent infringement lawsuits in various jurisdictions, such as the U.S., South Korea, Germany and China, requesting injunctions against unauthorized use of the asserted patents and, in some cases, import bans and compensation from OSRAM. The patent infringement lawsuits initiated by LG group companies and Samsung group companies partly involve direct and indirect customers of OSRAM. In August 2012, OSRAM and Samsung entered into a settlement agreement and terminated the lawsuits pending between them. In October 2012 OSRAM and LG entered into a settlement agreement and are in the process of terminating the lawsuits pending between them.

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

As previously reported, Siemens A.E. entered into a subcontract agreement with Science Applications International Corporation, Delaware, USA, (SAIC) in May of 2003 to deliver and install a significant portion of a security surveillance system (the C4I project) in advance of the Olympic Games in Athens, Greece. Siemens A.E. fulfilled its obligations pursuant to the subcontract agreement. Nonetheless, the Greek government claimed errors related to the C4I-System and withheld amounts for abatement in a double-digit million range. Furthermore, the Greek government withheld final payment in a double-digit million range, claiming that the system had not been finally accepted. Although Siemens A.E. is not a contractual party of the Greek government, under Siemens A.E.'s subcontract agreement with SAIC non-payment by the Greek government also has an economic effect on

## **Table of Contents**

Siemens A.E. SAIC has filed for arbitration contesting all the Greek government's claims and its ability to withhold payments. The Greek State filed, inter alia, a motion to stay the arbitration in view of the ongoing criminal investigations conducted by the Greek public prosecutor. This motion was denied by the Arbitral Tribunal in July 2011. Resolution of this dispute has been complicated by bribery and fraud allegations (either made in public or within the arbitration proceedings) against Siemens A.E. in Greece, which have resulted in extensive negative media coverage concerning the C4I system.

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

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

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

As previously reported, since July 2009 the EU Anti-Fraud Office OLAF, its Romanian equivalent DELAF and the Romanian public prosecutor DNA have been investigating allegations of fraud in connection with the 2007 award of a contract to FORTE Business Services (later Siemens IT Solutions and Services Romania) to modernize the IT infrastructure of the Romanian judiciary. In September 2010, OLAF put the matter on monitoring status and decided not to open formal proceedings. DELAF referred the matter to DNA and closed its investigations. After the sale of Siemens' global IT Solutions and Services business to AtoS, Siemens Romania is no longer directly involved in the DNA investigation. In September 2012, the Romanian Ministry of Finance filed civil claims in the amount of € 12 million against AtoS Romania within the framework of the criminal proceedings. AtoS Romania could hold Siemens AG contractually liable if it were required to make this payment.

In December 2011, the United States Attorney's Office for the Northern District of New York served a Grand Jury subpoena on Siemens that seeks records of consulting payments for business conducted by the Building Technologies business unit in New York State over the period from January 1, 2000 through September 30, 2011. Siemens is cooperating with the authority.

In February 2012, the United States Attorney's Office for the Eastern District of New York served a subpoena on Siemens Healthcare Diagnostics Inc., United States, for information relating to a diagnostics process. Siemens is cooperating with the authority.

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

## **Table of Contents**

Siemens' business, results of operations and financial condition for any reporting period in which an adverse decision is rendered. However, Siemens currently does not expect its business, results of operations and financial condition to be materially affected by the additional legal matters not separately discussed in this paragraph.

### **ITEM 4A: UNRESOLVED STAFF COMMENTS**

Not applicable

### **ITEM 5: OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

#### **INTRODUCTION**

This document contains statements related to our future business and financial performance and future events or developments involving Siemens that may constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements may be identified by words such as "expects," "looks forward to," "anticipates," "intends," "plans," "believes," "seeks," "estimates," and words of similar meaning. We may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases. In addition, our representatives may from time to time make oral forward-looking statements. 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 or anticipated on the basis of historical trends. These factors include in particular, but are not limited to, the matters described in Item 3: Key information Risk factors of this annual report on Form 20-F filed with the SEC.

Further information about risks and uncertainties affecting Siemens is included throughout this annual report on Form 20-F and in our other filings with the SEC, which are available on the Siemens website, [www.siemens.com](http://www.siemens.com), and on the SEC's website, [www.sec.gov](http://www.sec.gov). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements of Siemens may vary materially from those described in the relevant forward-looking statement as being expected, anticipated, intended, planned, believed, sought, estimated or projected. Siemens neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

The following discussion of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and the related Notes prepared in accordance with IFRS, as issued by the IASB and as adopted by the EU, as described in Item 18: Financial Statements Notes to Consolidated Financial Statements Note 1. Due to rounding, numbers presented throughout this Form 20-F may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

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

#### **BUSINESS AND ECONOMIC ENVIRONMENT**

##### **THE SIEMENS GROUP ORGANIZATION AND BASIS OF PRESENTATION**

We are a globally operating, integrated technology company with core activities in the fields of energy, healthcare, industry, and infrastructure, and we occupy leading market positions worldwide in the majority of our

## Table of Contents

businesses. We can look back on a successful history spanning 165 years, with groundbreaking and revolutionary innovations such as the invention of the dynamo, the first commercial light bulb, the first electric streetcar, the construction of the first public power plant, and the first images of the inside of the human body. On a continuing basis, we have around 370,000 employees as of September 30, 2012 and business activities in approximately 190 countries and reported consolidated revenue of 78.296 billion in fiscal 2012. We operate in excess of 290 major production and manufacturing plants worldwide. In addition, we have office buildings, warehouses, research and development facilities or sales offices in almost every country in the world.

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

Our fundamental organizational principles are:

the CEO principle,

the end-to-end business responsibility of the Sectors, Divisions and Business Units, and

the unrestricted right of selected corporate functions to issue instructions in relation to a function to the extent legally permissible. The Siemens Managing Board is the sole management body and has overall business responsibility in accordance with the German Stock Corporation Act (Aktengesetz, AktG). At all other organizational levels within our Company, management responsibility is assigned to individuals who make decisions and assume personal responsibility (CEO principle). This principle establishes clear and direct responsibilities and fosters efficient decision-making.

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

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

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

During fiscal 2011, we initiated a change in the organizational structure of our Sectors which became effective October 1, 2011. Beginning with fiscal 2012, we formed a fourth Sector, Infrastructure & Cities, in addition to our existing three Sectors, Energy, Healthcare and Industry, in order to benefit from the growth of urban centers and the demand for infrastructure solutions. The Infrastructure & Cities Sector comprises the activities of the former Industry Sector's Divisions Building Technologies and Mobility and the former Energy Sector's activities of the Power Distribution Division, including Smart Grid applications. Results for prior years are presented on a comparable basis.

## **Table of Contents**

Following this change in the organizational structure, our business activities focus on four Sectors, Energy, Healthcare, Industry and Infrastructure & Cities. These Sectors form four of our reportable segments. In addition to our four Sectors, we have two additional reportable segments: Equity Investments and SFS.

Within this Item, we provide financial measures for our four Sectors and for two Businesses, each combining two Divisions within a Sector as well as for eight Divisions of our Sectors. These financial measures include: new orders, revenue, profit and profit margin. Divisions within a Sector may do business with each other, leading to corresponding new orders and revenue. Such orders and revenues are only eliminated on a Sector level. Furthermore, our reportable segments may do business with each other, leading to corresponding new order and revenue. Such orders and revenues are eliminated on the Siemens level within Eliminations, Corporate Treasury and other reconciling items and are not included in new orders and revenue with external customers (external orders and external revenue, respectively) reported in this document. Free cash flow and further information is reported for each reportable segment in the Notes to Consolidated Financial Statements. For information related to the definition of these financial measures and to the reconciliation of segment financial measures to the Consolidated Financial Statements, see Item 5: Operating and financial review and prospects Supplemental financial measures as well as Item 18: Financial Statements Notes to Consolidated Financial Statements Note 36.

On a geographic basis, Siemens is subdivided into 14 Regional Clusters, which are in turn assigned to one of our three reporting regions. We report financial measures for these three regions:

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

## **Table of Contents**

### **FINANCIAL PERFORMANCE MEASURES**

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

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

### **Revenue growth**

We believe that an important driver for increasing our Company's value over the long term is profitable **revenue growth**. Specifically, our goal is to grow our revenue faster than the average revenue growth of our most relevant competitors. For purposes of comparison to the revenue growth of our competitors, our revenue growth is calculated as the growth rate of reported revenue as presented in the Consolidated Financial Statements.

## Table of Contents

### Capital efficiency and profitability

Our aim is to work profitably and as efficiently as possible with the capital of our shareholders and lenders. We monitor our capital efficiency using adjusted return on capital employed, or **ROCE (adjusted)**, which is reported on a continuing operations basis. This measure assesses our generated income from the point of view of our shareholders and lenders. ROCE (adjusted) is defined as income from continuing operations before interest after tax divided by average capital employed. For information on the calculation of ROCE (adjusted) and its components, see Item 5: Operating and financial review and prospects Supplemental financial measures. Our target is to achieve a ROCE (adjusted) of 15% to 20%. ROCE (adjusted) in the fiscal years 2012 and 2011 was 17.0% and 25.3%, respectively. Siemens' weighted average cost of capital (WACC) is currently 7.5%.

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



## **Table of Contents**

Our goal is to achieve margins comparable to the best competitors within our industries throughout the entire business cycle. We therefore seek to maintain or improve the profitability of our businesses as appropriate. Our measure in this regard is **adjusted EBITDA margins**, defined as the ratio of adjusted EBITDA (as presented in Item 5: Operating and financial review and prospects Reconciliation to adjusted EBITDA (continuing operations)) to revenue. We have defined adjusted EBITDA margin ranges for the respective industries of our four Sectors. Adjusted EBITDA target margin ranges for the Sectors, and their performance in fiscal 2012, are shown in the chart below. The adjusted EBITDA margin for Energy was 9.3%, compared to 15.1% a year earlier. Healthcare s adjusted EBITDA margin was 18.5%, up from 15.7% in fiscal 2011. The adjusted EBITDA margin for our Industry Sector was 14.9%, down from 16.8% in the prior year. The adjusted EBITDA margin for Infrastructure & Cities was 7.5%, compared to 8.3% a year earlier.

## **Capital structure**

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

## **Dividend**

At the Annual Shareholders Meeting, the Managing Board, in agreement with the Supervisory Board, will submit the following proposal to allocate the unappropriated net income of Siemens AG for the fiscal year ended September 30, 2012: to distribute a dividend of 3.00 on each no-par value share entitled to the dividend for fiscal year 2012 existing at the date of the Annual Shareholders Meeting, with the remaining amount to be carried forward. Payment of the proposed dividend is contingent upon approval by Siemens shareholders at the Annual Shareholders Meeting on January 23, 2013. The prior-year dividend was 3.00.

We intend to provide an attractive return to shareholders. We previously set a target range for our dividend payout percentage of 30% to 50% of net income. The proposed dividend of 3.00 per share for fiscal 2012 represents a total payout of 2.569 billion based on shares outstanding as of September 30, 2012. Based on net income of 4.590 billion for fiscal 2012, the dividend payout percentage would be 56%. The percentage for fiscal 2011 was 42%, based on a total dividend payout of 2.629 billion and net income of 6.321 billion.

## **Table of Contents**

We intend in the years ahead to propose a dividend payout which, combined with outlays for share buybacks during the fiscal year, results in a sum representing 40% to 60% of net income, which for this purpose we may adjust to exclude exceptional non-cash effects. As in the past, we intend to fund the dividend payout from free cash flow.

### **Additional measures**

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

To measure liquidity management of our operating activities, we analyze net operating working capital turns. In addition, we set hurdle rates that generally must be considered before we make acquisitions. In particular, acquisitions should have the potential to be accretive to EVA within three years after the integration and generate a 15% cash return within five years. Cash return is defined as Free cash flow divided by average capital employed.

## Table of Contents

### ECONOMIC ENVIRONMENT

#### Worldwide economic environment

Growth in the global economy continues to slow down in 2012, with real global gross domestic product (GDP) expected to rise by only 2.5% compared to 3.0% in 2011. Above all, the unstable economic situation in Europe burdens economic activity worldwide. Concerns about the stability of the banking sector, the sovereign debt crisis and the fragile economy continue to hamper private-sector investment and consumer spending. Moreover, austerity policies to cut government deficits and bring down debt levels in Europe have led to a significant reduction of government spending. In addition, the U.S. economy remains sluggish and growth in emerging markets has cooled down due to spillover effects from advanced economies and various country-specific factors.

From a regional perspective, the slowdown is sharpest in **Europe**, with economic growth coming to a standstill in 2012. Restrictive fiscal policies, rising unemployment, large capital outflows to northern countries and the sovereign debt crisis have all deepened the contraction in the southern periphery economies. This in turn increasingly hampers growth in the core northern countries such as Germany. On top of that, the uncertain economic situation in Europe keeps consumer spending and private-sector investments on a low level. Gross fixed investment, one way in which gross domestic product is used, is expected to decline by 2.1% in 2012 compared to 2011. To foster the stability of the Eurozone, European governments have taken important measures. The establishment of the permanent European Stability Mechanism (ESM) as a substitute for the temporary European Financial Stability Facility is aimed at ensuring the financial solvency of the Eurozone countries. Moreover, in order to bring down government bond yields and to ensure the functioning of monetary operations in every country of the monetary union, the European Central Bank (ECB) has declared its willingness to buy sovereign bonds on the secondary market without limit if a country meets the criteria of the ESM. This announcement calmed financial markets and reduced yields of Italian and Spanish bonds, making refinancing cheaper for these countries. Economic development in the **Middle East** is still affected by severe geopolitical tensions involving Iran and ongoing violence and unrest in Yemen and Syria, where the economy is contracting rapidly. In contrast, growth in other oil-exporting countries remains robust, due to high oil prices. Growth in **Africa** is surprisingly strong in 2012. But the continent still suffers from an unstable political environment, and economic growth in many countries is highly dependent on raw material prices. The **C.I.S.** countries have to deal with relatively low growth of 3.6% in 2012. The whole region is negatively affected by the European sovereign debt crisis due to financial and trade linkages.

In the **Americas**, GDP growth is expected to slow slightly in 2012, to 2.3%. On one hand, the growth rate in Latin America is expected to decrease to 2.9%, due in part to lower export demand from a weak global economy. Furthermore, the global slowdown also causes some commodity prices to fall, which strongly affects Latin America as a major seller of commodities. Hence, investment spending has slowed down considerably.

## Table of Contents

Representative for the economic development in Latin America is Brazil, which is expected to grow by only 1.6% in 2012. On the other hand, the U.S. is expected to grow slightly faster year-over-year, with 2.1 % growth compared to 1.8% in 2011. U.S. investment growth is expected to be particularly strong: 5.6% in 2012 compared to 3.4% in 2011. Additionally, the American housing market seems to be stabilizing towards the end of the year. Nevertheless, the U.S. faces a high level of debt and low employment growth. Moreover, the country's political gridlock creates economic uncertainty particularly regarding tax increases and spending cuts that will take place automatically at the beginning of 2013 if no agreement can be reached (the so-called fiscal cliff).

In **Asia, Australia** growth is accelerating slightly in 2012, although China's and India's extraordinarily high growth levels are expected to cool down to 7.4% and 5.1%, respectively. China, a leading exporter, is significantly affected by the decrease in global demand, so gross fixed investments are trending in line with slower GDP growth. The Chinese government has implemented expansionary fiscal and monetary measures in order to support the economy. The Indian economy is negatively affected by strong credit linkages with a struggling Europe and weaker capital inflows. Moreover, India was also hit by a series of major electricity failures throughout the whole country. Japan's economy started to recover from the consequences of the earthquake and tsunami in March 2011. Its expected growth rate of 2.3% is caused mainly by increased government spending, with a boost from stronger household spending. Furthermore, Indonesia, Thailand and Vietnam continue to grow rapidly and support the economy's growth of the Asia, Australia region of 4.7 % in 2012.

A key factor for Siemens as a manufacturer is real manufacturing value added, a component used in calculating gross domestic product by means of the production approach. Despite accelerating growth in both the Asia, Australia and Americas regions, growth in manufacturing value added on a global basis is expected to decline in 2012 to 4.1% from 4.5% in 2011. This is due to significantly slower growth in the Europe, C.I.S., Africa, Middle East region, including a slight decline in Europe.

The partly estimated figures presented here for gross domestic product, gross fixed investments and manufacturing value added are drawn from an IHS Global Insight report dated October 15, 2012. Siemens has not independently verified this data.

In addition to the common currency of the European Monetary Union (the euro, €) another key currency for Siemens is the US\$. Following an appreciation of the € against the US\$ at the beginning of fiscal 2012, concerns over the sovereign debt crisis in a number of southern European member states of the European Monetary Union led to decline of € against the US\$. For the remainder of fiscal 2012, the value of the € relative to the US\$ remained below its level at the end of fiscal 2011. During July 2012, the value of the € against the US\$ reached its lowest levels of the fiscal year. Only at the end of fiscal 2012 did the value of the € begin to

## **Table of Contents**

recover somewhat. Among the contributing factors were the German constitutional court's rejection of applications to block the ESM and the ECB's announcement of the modalities of a new government bond purchase program. Nevertheless at September 30, 2012, the value of the against the US\$ was around 4% below the level a year earlier.

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

The average monthly price of copper (denominated in per metric ton) for September 2012 was 4% higher than the average monthly price in September 2011; this reversed a previously negative trend year-over-year and was due to the release of financial and fundamental stimulus programs. Prices on a fiscal-year average were 8% lower in fiscal 2012 than the average for fiscal 2011. Prices for copper are still supported by tight supply and demand fundamentals and by speculative influences in the commodity markets. Nevertheless, because copper is produced in multiple locations and traded, such as across the London Metal Exchange, the risk to Siemens is primarily a price risk rather than a supply risk.

Average monthly prices of aluminum traded at the London Metal Exchange faced more pressure year-over-year, losing 4% in September 2012 compared to September 2011. While, among other factors, high energy costs put upward pressure on aluminum, these were more than offset by oversupply. As with copper, we see developments in the aluminum market as posing a price risk, rather than a supply risk.

The average monthly steel prices for September 2012 came down by 3% compared to the average monthly prices in September 2011. Especially at the end of fiscal 2012, steel markets and prices for upstream raw materials (e.g. iron ore) softened significantly (source: CRU, an independent business analysis and consultancy group focused on, among other things, the mining and metals sectors).

## Table of Contents

In addition to the above-mentioned raw materials, we have exposure related to rare earth metals and magnets. The market situation for buyers improved considerably throughout fiscal 2012, with respect to both price and availability. Nevertheless, we track these factors closely as they could still pose significant price or supply risks for technology manufacturers, including Siemens.

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

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

## **Market development**

According to an analysis published by IHS Global Insight on July 20, 2012, investments in 2012 are expected to continue to grow in nominal terms compared to 2011. But the pace of growth for 2012 is expected to slow down considerably compared to the prior year in almost all of the market segments that are significant for our Sectors. This is due largely to the sovereign debt crisis in the euro zone, especially in countries affected by bank solvency risks, credit availability and austerity measures, and also to repercussions of the sovereign debt crisis in other regions, particularly including emerging markets.

In markets significant for the **Energy** Sector, investments in power utilities are expected to grow by around 5% in 2012, slightly down from around 6% in 2011. Within these numbers, investments in many emerging markets are expected to continue to grow clearly or significantly in 2012 compared to 2011 yet the expected growth rates in the majority of these countries are still slower than a year earlier. Demand in Europe is particularly weak. Following a recovery in 2011, power utility investments are expected to show a decline in nearly all European countries in 2012, especially in countries affected by the sovereign debt crisis. In contrast, investments in the U.S. are expected to grow moderately in 2012, following a decline a year earlier. Investments in the oil and gas markets are expected to grow around 6% year-over-year, down markedly from around 17% in 2011. Some of the most important countries in this market, including the U.S., Russia and Saudi Arabia, which increased their investments in 2011 substantially year-over-year, are expected to either clearly reduce investment growth in 2012 or to keep investments on the prior-year level. In the chemical industry, which is particularly sensitive to changes in current economic conditions, growth in investments is also expected to slow considerably year-over-year, down to around 5% in 2012 compared to around 17% a year earlier. This includes lower growth in China, the world's largest national market, and shrinking investments year over-year in other major countries, among them Japan and Germany. In contrast, the growth rate in the U.S. is expected to remain nearly steady.

Investments within the international healthcare markets, served by our **Healthcare** Sector, are expected to increase by around 2% in 2012, following a rise of around 10% in the year before. This decline in growth includes reduced investments not only in many European countries, but also in some emerging markets such as Brazil. Furthermore, growth in other large emerging markets, is expected to slow down year-over-year, such as in China and Russia, or come to a halt, as in India. In the U.S. market, which is particularly significant for our Healthcare Sector, growth in investments is expected to increase slightly in 2012 compared to the prior year.

The **Industry** Sector is influenced by the development in some of the markets mentioned for the Energy Sector, including by the oil and gas markets and the chemical industry. In other markets significant for the Industry Sector, investments in the automotive industry are expected to grow by around 5% in 2012, down from growth in investments of around 15% a year earlier. This change includes all major countries, which are showing either significantly slower growth or declining investments year-over-year. These factors are particularly evident in Europe. Investment growth is declining also in a number of emerging markets, where investments were recently driven by strong demand for vehicles. Notable examples include China, which is experiencing significantly lower growth, and India, where investments are declining year-over-year following strong

**Table of Contents**

expansion a year earlier. Against this trend, growth in investments year-over-year is expected to accelerate in Japan. Even in the food and beverage industry, which is usually less susceptible to fluctuations in the economy, growth in investments is expected to decline significantly in 2012 to around 5%, down from around 15% a year earlier. This is due to significant declines in investments in many European countries, especially those affected by high unemployment and low consumer confidence. Investments are also expected to decline in a number of emerging markets as their populations are affected by rising food prices. Investments in the minerals sector are expected to grow by around 5% in 2012, sharply lower than growth of around 19% a year earlier. Within this sector, growth in investments in the largest industry, mining, is expected to contract most significantly: from around 21% in 2011 to around 5% in 2012. Among major countries in industrial mining, this decline in growth includes sharply lower growth in China and Canada and a reduction in investments in India year-over-year, while growth in investments in Australia is expected to come down only slightly. Investments in the machine building industry are expected to grow by around 7% year-over-year in 2012, compared to around 18% a year earlier. Growth in investments in the last few years was driven by exceptionally rapid expansion in China, which is by far the world's most important investor in machine building. In contrast, growth in China is expected to slow markedly in 2012 as demand weakens in the country's manufacturing sector. For the pharmaceutical industry, investment growth is estimated to decline to around 6% in 2012, after around 15% in 2011. Within these numbers, the largest investors, China and Japan, are expected to continue to increase their investments in 2012 but at a slower pace than in 2011. Against this trend, the U.S. shows increasing growth in investments year-over-year. Investments in the pulp and paper sector are expected to grow by around 4% in 2012, following investment growth of around 13% a year earlier. The development within the largest markets is expected to be mixed. While investment growth in China is slowing significantly and growth in Japan is nearly coming to a halt, investments in the U.S. are growing moderately following a decline in the prior year. In the metals industry, investments in 2012 are expected to grow by around 5% compared to around 16% a year earlier. Growth in China is expected to slow to single digits, and India is forecast to reduce its investments following a substantial increase a year earlier. Investment growth in Japan and South Korea is expected to decline less significantly year-over-year. Investments in water and wastewater utilities are expected to grow by around 4% in 2012 compared to around 8% in 2011. While investment growth in China is expected to be higher in 2012 compared to the prior year, and the U.S. is expected to increase investments in 2012 following a decline a year earlier, many other major countries, especially in Europe, are forecast to reduce their investments in 2012.

The **Infrastructure & Cities** Sector is influenced by developments in a number of markets mentioned above for the Sectors Energy, Healthcare and Industry, including power utilities, oil and gas, healthcare and pharmaceuticals. In other markets important to the Sector, investments in both, the transportation infrastructure and transportation services markets, are expected to grow by around 5% in 2012. The pace of growth in the prior year was around 15% in transportation infrastructure, faster than growth of around 8% in transportation services. For transportation infrastructure, investments are expected to slow in the large Chinese market and shrink in some of the larger European countries, including France and Germany. The U.S. and Russia are expected to keep investment growth near the prior-year level. Overall growth in transportation service is held back by declining investments in Europe, even as China is expected to clearly increase investments in 2012 following a decline in investments a year earlier. Growth in investments in the public, research and education sector is expected to decline to around 3% in 2012, down from around 9% in 2011. While the large majority of European countries and also a number of emerging countries including Brazil and India are expected to reduce investments in 2012 compared to 2011, the U.S. is forecast to expand its public investments year-over-year. For construction and real estate, investments are expected to grow around 3% in 2012 compared to the prior year. A year earlier, growth in investments was around 12%. While these markets are depressed in Europe, growth in the U.S. is accelerating, as these industries are benefiting from low mortgage rates and improved consumer confidence. In the post and logistics sector, investment growth in 2012 is forecast to slow to around 2% year-over-year, compared to around 13% a year earlier. While growth in fiscal 2012 is particularly burdened by shrinking investment in large parts of Europe, the change year-over-year is particularly strong in Brazil, where sharp growth a year earlier is expected to be followed by a clear decline in investments. In the wholesale and retail sector, investment growth is expected to decline to around 3% year-over-year, down from around 13% a year earlier, following the same pattern as investments in post and logistics.

**Table of Contents****FISCAL 2012 COMPARED TO FISCAL 2011****FISCAL 2012 FINANCIAL SUMMARY**

In fiscal 2012 we increased revenue by 7% year-over-year to 78.296 billion, with all four Sectors and all three reporting regions contributing to growth. New orders came in near the level of revenue but 10% lower compared to the prior year, which included substantially higher volumes from large orders in our Sectors Infrastructure & Cities and Energy. For example, orders a year earlier included Siemens' largest-ever order for trains, worth 3.7 billion.

In fiscal 2012, we achieved income from continuing operations of 5.184 billion. While this was one of our highest results ever, it was substantially lower than in the prior year and lower than we expected one year ago. The decline was due mainly to our Energy Sector which took substantial charges mainly related to projects with a complex marine and regulatory environment in the current period and benefited from the divestment of its share in Areva NP in the prior year. Due mainly to challenges in these projects we reduced our income guidance during fiscal 2012. Furthermore, profit in Energy in fiscal 2012 was also burdened by profit impacts of 327 million (pretax) related to a change in credit risk assessment for Iran. Income from continuing operations in fiscal 2012 was also held back by a less favorable market environment in the second half of the fiscal year. This was particularly evident in the Industry Sector where profit came in 10% lower year-over-year. Profit at Infrastructure & Cities in fiscal 2012 also declined year-over-year, as the Sector took 86 million (pretax) in charges at a rolling stock project in Germany. In contrast, our Healthcare Sector increased profit year-over-year. For comparison, profit at Healthcare in fiscal 2011 was burdened by charges related to particle therapy projects. In fiscal 2012, income from continuing operations was also burdened by a sharply higher loss at Equity Investments. This was due primarily to our share in NSN. In fiscal 2012, NSN took substantial restructuring charges in connection with its previously announced measures aimed at maintaining its long-term competitiveness and improving profitability.

Net income in fiscal 2012 was 4.590 billion, down from 6.321 billion a year earlier. This decline was due to lower income from continuing operations, only partly offset by lower losses from discontinued operations. In the prior year, discontinued operations were burdened by a substantial loss related to our former Siemens IT Solutions and Services business, partly offset by income from discontinued operations related to OSRAM. Income from discontinued operations related to OSRAM turned negative in the current period.

As a result of the above-mentioned profit impacts, two of our Sectors, Energy and Infrastructure & Cities, missed their respective adjusted EBITDA target ranges in fiscal 2012.

We achieved our target for capital efficiency measured in terms of ROCE (adjusted) on a continuing basis, with a result of 17.0%, well within our target range of 15% to 20%. ROCE (adjusted) on a continuing basis a year earlier was 25.3%, benefiting from the above-mentioned divestment at Energy.

Our Free cash flow from continuing operations declined to 4.790 billion, down 19% year-over-year. Free cash flow development was particularly influenced by lower income from continuing operations. Additional factors included cash outflows in the current period related to project-related charges in Healthcare.

In the fourth quarter of fiscal 2012, we initiated a share buyback program of up to 3.0 billion, to be financed partly by long-term debt, and issued bonds totaling 2.7 billion. These measures are aimed at taking advantage of favorable capital market conditions while reducing the gap to our capital structure target. We have set this target, defined as the ratio of adjusted industrial net debt to adjusted EBITDA, in the range of 0.5 to 1.0. In fiscal 2012, our capital structure was a positive 0.24 compared to a negative 0.14 in the prior fiscal year.

We believe that we achieved the goals we had announced in our Interim report for the third quarter of fiscal 2012. With regard to One Siemens, our framework for sustainable value creation, we believe that we did not fully succeed in our fundamental goal of continuous improvement relative to our markets and competitors. We believe that Agenda 2013, an initiative started by our Healthcare Sector at the beginning of fiscal 2012 is making a contribution to achieve these goals. We intend to expand these efforts on a company level. We therefore initiated Siemens 2014, a company-wide program aimed at improving our productivity. We defined action areas for cutting our costs, strengthening our portfolio and becoming faster and less bureaucratic. These goals apply



**Table of Contents**

company-wide, with specific implementation measures to be developed by each Sector. While program-related productivity measures will burden Total Sectors profit, particularly in fiscal 2013, we expect that the productivity gains realized will enable us to achieve a Total Sectors profit margin of at least 12% by fiscal 2014.

In the fourth quarter of fiscal 2012 in connection with the Siemens 2014 company program, we decided to divest our solar business, consisting of our solar thermal and photovoltaic activities, because they have not met our expectations with regard to a number of factors, including changed market conditions, lower growth and strong price pressure.

We intend to provide an attractive return to shareholders. We previously set a target range for our dividend payout percentage of 30% to 50% of Net income excluding selected exceptional non-cash effects. The Siemens Managing Board, in agreement with the Supervisory Board, proposes a dividend of 3.00 per share, unchanged from a year earlier. This proposal represents a dividend payout percentage of 56%, based on shares outstanding as of September 30, 2012.

**RESULTS OF SIEMENS**

The following discussion presents selected information for Siemens for the fiscal year ended September 30, 2012:

**New orders and revenue**

Revenue increased steadily quarter by quarter throughout fiscal 2012 and came in at 78.296 billion, up 7% from the prior-year period. Revenue growth included increases in all Sectors and all three reporting regions, supported by Siemens' strong order backlog. Slowing growth in the world economy was evident in the development of new orders, which decreased 10% year-over-year primarily due to substantially lower volume from large orders compared to the prior-year period. This resulted in a book-to-bill ratio of 0.98 for Siemens in fiscal 2012. On an organic basis, excluding currency translation and portfolio effects, orders decreased 13% and revenue came in 3% above the prior year. The order backlog (defined as the sum of order backlogs of our Sectors) was 98 billion as of September 30, 2012, up from 97 billion a year earlier, including positive currency translation effects of 3 billion.

	New orders (location of customer)					
	Year ended September 30,		% Change		therein	
	2012	2011	Actual	Adjusted <sup>(1)</sup>	Currency	Portfolio
	(in millions of €)					
Europe, C.I.S. <sup>(2)</sup> , Africa, Middle East	38,655	46,711	(17)%	(19)%	1%	1%
therein Germany	9,894	17,353	(43)%	(43)%	0%	0%
Americas	22,271	22,077	1%	(5)%	5%	1%
therein U.S.	15,403	15,732	(2)%	(9)%	6%	1%
Asia, Australia	15,987	16,378	(2)%	(7)%	4%	0%
therein China	6,037	6,241	(3)%	(11)%	8%	0%
therein India	1,689	3,310	(49)%	(45)%	(4)%	0%
<b>Siemens</b>	<b>76,913</b>	<b>85,166</b>	<b>(10)%</b>	<b>(13)%</b>	<b>2%</b>	<b>1%</b>

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

**Orders related to external customers** in fiscal 2012 declined 10% overall, with results varying among the Sectors. Orders for Healthcare were up 5%, with most of its businesses contributing increases, and were level in Industry. Order intake declined in Energy and Infrastructure & Cities due to substantially lower volumes from large orders compared to the prior-year period, which included a number of orders for large wind-farms in Energy and a 3.7 billion order for trains in Germany won by Infrastructure & Cities. Orders from emerging markets on a global basis, as these markets are defined by the International Monetary Fund, declined 7%, less than orders overall, and accounted for 26.244 billion, or 34%, of total orders for fiscal 2012.



**Table of Contents**

In the region **Europe, C.I.S., Africa, Middle East**, orders declined 17% including double-digit decreases in Infrastructure & Cities and Energy, which were due to the high basis of comparison from large orders mentioned above. This high basis of comparison was also the primary factor in the order decline in Germany. Orders for Industry in the region were level compared to the prior-year period and Healthcare's orders came in slightly below the level of fiscal 2011. In the **Americas**, order intake rose slightly on increases in three of the four Sectors. The Energy Sector showed a slight decrease due in part to a lower volume from large orders compared to the prior-year period. Order intake in the **Asia, Australia** region showed a slight decrease in fiscal 2012. Double-digit order growth in Healthcare was more than offset by decreases in the other Sectors. Order intake in India decreased sharply compared to the prior-year period, due primarily to a major contract win at Energy in the prior-year period.

As previously disclosed, Siemens has decided that, subject to certain limited exceptions, it will not enter into new contracts with customers in Iran and has issued group-wide policies establishing the details of its general decision. Under the original version of the policies, among other exceptions, which have been previously disclosed, products and services required to maintain the installed base (e.g. deliveries of spare parts, maintenance and assembly services) were permitted to be provided. However, in the beginning of calendar year 2012, Siemens resolved to amend the policies to provide that no new business with respect to products and services destined to maintain the installed base in Iran's oil & gas sector may be entered into under any circumstances. In addition, even outside the oil & gas sector, products and services for the installed base in Iran may be provided only in strictly limited circumstances which can be demonstrated to satisfy humanitarian purposes or private purposes serving the common good (e.g. water supply and healthcare of the civilian population). In the fourth quarter of fiscal 2012, Siemens revised its credit risk assessment for Iran. In accordance with project accounting principles, Siemens therefore revised project calculations for the affected projects that were still permitted to be provided under these policies. The change in credit risk assessment resulted in an earnings impact of 347 million. We expect further profit impacts related to Iran in fiscal 2013. For additional information, see Item 3: Key information Risk factors.

	Revenue (location of customer)					
	Year ended September 30,		% Change		therein	
	2012	2011	vs. previous year	Adjusted <sup>(1)</sup>	Currency	Portfolio
	(in millions of €)		Actual			
Europe, C.I.S. <sup>(2)</sup> , Africa, Middle East	39,909	38,448	4%	2%	1%	0%
therein Germany	11,072	10,810	2%	2%	0%	0%
Americas	22,864	20,470	12%	5%	6%	1%
therein U.S.	16,670	14,368	16%	7%	8%	1%
Asia, Australia	15,523	14,357	8%	3%	5%	0%
therein China	6,348	6,389	(1)%	(7)%	7%	(1)%
therein India	2,311	2,353	(2)%	4%	(5)%	0%
<b>Siemens</b>	<b>78,296</b>	<b>73,275</b>	<b>7%</b>	<b>3%</b>	<b>3%</b>	<b>0%</b>

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

**Revenue related to external customers** rose 7% compared to fiscal 2011, including increases in all Sectors. Strong conversion from the Sectors order backlogs played a major role in broad-based revenue growth. Energy revenue increased 12% in fiscal 2012 and Healthcare revenue increased 9%. Revenue in Industry and Infrastructure & Cities showed a moderate growth compared to the prior-year period. On a global basis, emerging markets grew 7%, and accounted for 25.652 billion, or 33%, of total revenue in fiscal 2012.

**Table of Contents**

On a geographic basis, revenue increased in all three reporting regions, led by double-digit growth in the Americas. In the **Europe, C.I.S., Africa, Middle East** region, revenue increased 4% year-over-year, including increases in all Sectors. In the **Americas**, higher revenue included double-digit increases in Energy, Industry and Infrastructure & Cities, due to revenue growth of 16% in the U.S. In the **Asia, Australia** region, revenue rose 8% on substantial increases in Energy and Healthcare, which were partly offset by decreases in Infrastructure & Cities and Industry.

**Consolidated Statements of Income**

	Year ended September 30,		% Change
	2012	2011	
	(in millions of )		
Gross profit	22,204	22,229	0%
<i>as percentage of revenue</i>	28.4%	30.3%	
Research and development expenses	(4,238)	(3,899)	9%
<i>as percentage of revenue</i>	5.4%	5.3%	
Marketing, selling and general administrative expenses	(11,162)	(10,239)	9%
<i>as percentage of revenue</i>	14.3%	14.0%	
Other operating income	516	547	(6)%
Other operating expense	(276)	(374)	(26)%
Income (loss) from investments accounted for using the equity method, net	(266)	210	n/a
Interest income	2,234	2,200	2%
Interest expense	(1,728)	(1,716)	1%
Other financial income (expense), net	(5)	649	n/a
Income from continuing operations before income taxes	7,279	9,608	(24)%
Income taxes	(2,094)	(2,232)	(6)%
<i>as percentage of income from continuing operations before income taxes</i>	29%	23%	
<b>Income from continuing operations</b>	<b>5,184</b>	<b>7,376</b>	<b>(30)%</b>
<b>Loss from discontinued operations, net of income taxes</b>	<b>(595)</b>	<b>(1,055)</b>	<b>(44)%</b>
<b>Net income</b>	<b>4,590</b>	<b>6,321</b>	<b>(27)%</b>
Net income attributable to non-controlling interests	132	176	
Net income attributable to shareholders of Siemens AG	4,458	6,145	(27)%

In fiscal 2012, we achieved **Income from continuing operations** of 5.184 billion. While this was one of our highest results ever, it was substantially lower than in the prior year. The primary factors in the decline were cost of goods sold; research and development expenses; marketing, selling and general administrative expenses; and income (loss) from investments accounted for using the equity method, net. In addition, the prior year included substantially higher financial income associated with a major divestment. Each of these factors is described in more detail below. Other line items in the Consolidated Statements of Income are discussed in Item 18: Financial Statements Notes to Consolidated Financial Statements Notes 5, 6 and 8.

**Table of Contents**

While revenue for fiscal 2012 rose 7% year-over-year as discussed earlier, gross profit was nearly unchanged from the prior-year level and declined as a percent of revenue. Industry, Energy and Infrastructure & Cities all dealt with a less favorable revenue mix year-over-year, which reduced their gross profit margins. Gross profit in Energy included 570 million in project charges related to offshore grid-connection projects. The majority of Healthcare's charges for its Agenda 2013 initiative also impacted gross profit. In fiscal 2011, Healthcare's 381 million in charges in the third quarter related to particle therapy were included in gross profit.

Furthermore, all Sectors increased their spending for marketing, selling and administrative expenses and research and development expenses in anticipation of an improving global economic environment in the second half of the fiscal year. In fact, global economic growth slowed instead of picking up in the second half, leaving the Sectors with cost positions that adversely affected income. For more details on our research and development activities, including a split of research and development expenses for the Sectors, see Item 4: Information on the Company Research and development.

Income (loss) from investments accounted for using the equity method, net swung from a positive 210 million in fiscal 2011 to a negative 266 million in fiscal 2012. The primary factor was Nokia Siemens Networks B.V. (NSN), which took substantial restructuring charges in connection with repositioning its business. This in turn led to an equity investment loss of 741 million associated with NSN, compared to a loss of 280 million in the prior year. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 7.

Income from continuing operations in fiscal 2011 benefited from a gain of 1.520 billion on the sale of Energy's interest in Areva NP S.A.S. (Areva NP), partly offset by the negative impact of 682 million related to an adverse arbitration decision associated with our decision to exit our nuclear power joint venture with Areva S.A. (Areva). The net effect of these factors is included in Other financial income (expense) net. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 8.

In the current period, Income from continuing operations included 148 million in gains related to changes in other post-employment benefits (OPEB) in the U.S., more than offset by profit impacts of 347 million, primarily in the Energy Sector, related to a change in credit risk assessment for Iran. These gains and impacts were distributed among various line items.

As a result of these developments, Income from continuing operations before income taxes declined 24%. Income taxes declined 6% year-over-year. The effective tax rate was 29%. For comparison, the effective tax rate of 23% a year earlier benefited from the mainly tax-free Areva disposal gain.

**Loss from discontinued operations, net of income taxes** in fiscal 2012 was 595 million, compared to 1.055 billion in fiscal 2011. Loss from discontinued operations, net of income taxes was comprised of the following:

	Year ended September 30,		% Change
	2012	2011	
	(in millions of €)		
Siemens IT Solutions and Services	41	(826)	n/a
OSRAM	(121)	309	n/a
Siemens solar business	(241)	(365)	(34)%
Other former activities	(274)	(172)	59%

Results related to Siemens IT Solutions and Services, which was sold to Atos S.A. (AtoS) in the fourth quarter of fiscal 2011, differed substantially year-over-year. In fiscal 2012, income was a positive 41 million, compared to a loss of 826 million in fiscal 2011, which included significant expenses related to the disposal.

Results for OSRAM in fiscal 2012 included a non-cash effect of a negative 443 million (pretax). This effect arises from the fact that Siemens no longer considered it highly probable to complete its original plan to dispose of OSRAM via an initial public offering (IPO) in the third quarter of fiscal 2012, and therefore had to recognize accumulated depreciation, amortization, impairments and equity pick-ups related to OSRAM which under IFRS were not recognized beginning with the announcement of the IPO plan in March 2011. The Company

**Table of Contents**

intends to dispose of OSRAM via a spin-off to Siemens shareholders, which is subject to approval by the Annual Shareholders Meeting on January 23, 2013. While revenue rose 7% year-over-year, benefiting from currency translation and portfolio effects, ongoing market challenges held back profit development.

In addition, discontinued operations include Siemens solar business, which posted losses of 241 million and 365 million in fiscal 2012 and 2011, respectively. Both years included pre-tax impairment charges: 150 million in fiscal 2012 and 231 million in fiscal 2011.

Discontinued operations also include certain remaining items related to former activities that were disposed of in prior years. Fiscal 2012 included pretax expenses of 143 million related to a settlement with the Greek State, and negative tax effects of 115 million, both related to former Com activities. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 4.

**Net income** for Siemens in fiscal 2012 declined to 4.590 billion from 6.321 billion a year earlier. Net income attributable to shareholders of Siemens AG was 4.458 billion, down from 6.145 billion in the same period a year earlier.

**SEGMENT INFORMATION ANALYSIS****Energy**

Sector	Year ended September 30,		% Change		therein	
	2012 (in millions of €)	2011	Actual	Adjusted <sup>(1)</sup>	Currency	Portfolio
Profit	2,159	4,230	(49)%			
Profit margin	7.8%	17.2%				
New orders	26,881	31,407	(14)%	(18)%	2%	2%
Total revenue	27,537	24,645	12%	7%	3%	1%
External revenue	27,302	24,390	12%			
<i>therein:</i>						
<i>Europe, C.I.S.<sup>(2)</sup>, Africa, Middle East</i>	<i>14,077</i>	<i>13,447</i>	<i>5%</i>			
<i>therein Germany</i>	<i>1,927</i>	<i>1,668</i>	<i>16%</i>			
<i>Americas</i>	<i>8,131</i>	<i>7,075</i>	<i>15%</i>			
<i>Asia, Australia</i>	<i>5,093</i>	<i>3,869</i>	<i>32%</i>			

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

**Energy** reported a profit of 2.159 billion in fiscal 2012, a sharp decrease compared to fiscal 2011. Sector profit was held back by project charges related to offshore grid connection projects totaling 570 million. In the fourth quarter of fiscal 2012, Siemens revised its credit risk assessment for Iran. In accordance with project accounting principles, we therefore revised project calculations for the affected contracts. The change in credit risk assessment resulted in earnings impacts totaling 327 million mainly at Oil & Gas. Energy also recorded burdens of 152 million associated with the Olkiluoto project in Finland. In addition, Energy's business expansion strategy resulted in higher marketing, selling and general administrative expenses as well as higher research and development expenses, and profit development was also held back by a less favorable revenue mix. For comparison, profit of 4.230 billion in fiscal 2011 benefited from the Areva NP gain of 1.520 billion mentioned earlier, only partly offset by the 682 million profit impact related to the arbitration decision discussed earlier and the Sector's 60 million share of special employee remuneration costs. The Sector expects further profit impacts related to Iran in fiscal 2013.

**Table of Contents**

Revenue rose on conversion from the Sector's strong order backlog in all three reporting regions, including a substantial increase in Asia, Australia. Orders came in 14% lower compared to the prior year, when the Sector recorded a substantially larger volume from major orders. This comparison effect was particularly notable in Europe, C.I.S., Africa, Middle East. Energy's book-to-bill ratio for fiscal 2012 was 0.98 and its order backlog was \$55 billion at the end of the period.

Businesses	Year ended		New Orders		therein	
	September 30,		% Change		Currency	Portfolio
	2012	2011	Actual	Adjusted <sup>(1)</sup>		
	(in millions of \$)					
Fossil Power Generation	11,116	12,487	(11)%	(17)%	2%	4%
Wind Power	4,932	6,461	(24)%	(26)%	2%	0%
Oil & Gas	5,307	5,551	(4)%	(10)%	2%	3%
Power Transmission	5,824	7,271	(20)%	(21)%	1%	0%

(1) Excluding currency translation and portfolio effects.

Businesses	Year ended		Revenue		therein	
	September 30,		% Change		Currency	Portfolio
	2012	2011	Actual	Adjusted <sup>(1)</sup>		
	(in millions of \$)					
Fossil Power Generation	11,161	10,203	9%	5%	3%	2%
Wind Power	5,066	3,686	37%	29%	8%	0%
Oil & Gas	5,115	4,719	8%	3%	2%	3%
Power Transmission	6,593	6,334	4%	2%	2%	0%

(1) Excluding currency translation and portfolio effects.

Businesses	Profit		% Change	Profit Margin	
	Year ended			Year ended	
	2012	2011		2012	2011
	(in millions of \$)				
Fossil Power Generation	1,933	2,837	(32)%	17.3%	27.8%
Wind Power	304	357	(15)%	6.0%	9.7%
Oil & Gas	218	467	(53)%	4.3%	9.9%
Power Transmission	(302)	566	n/a	(4.6)%	8.9%

**Fossil Power Generation** generated profit of \$1.933 billion on strong profit contributions from the service and products businesses, while results from the solutions business were significantly lower due to a less favorable project mix compared to a year earlier. Profit benefited from a \$87 million gain from the sale of the 25% interest in OAO Power Machines. In addition, the Division recorded higher expenses for marketing and selling year-over-year. For comparison, profit a year earlier included the \$1.520 billion Areva NP gain and a more favorable project mix in the component business, partly offset by the \$682 million Areva arbitration impact. Profit in both years was burdened by charges related to the Olkiluoto project in Finland, amounting to \$152 million in the current year and \$87 million a year ago. Revenue rose 9% year-over-year, with substantial growth in Asia, Australia and significant growth in the Americas more than offsetting a moderate decline in Europe, C.I.S., Africa, Middle East. Due to a lower volume from major orders, fiscal 2012 orders came in 11% lower than a year earlier, including a substantial decline in Europe, C.I.S., Africa, Middle East.

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Profit at **Wind Power** was lower year-over-year. Positive contributions from substantially higher revenue were offset by higher expenses for research and development, marketing and selling associated with expansion, a less favorable revenue mix, and increased pricing pressure. In addition, earnings came in lower due to a 32 million provision related to a wind turbine component from an external supplier and a charge of 20 million



**Table of Contents**

related to capacity adjustment. Revenue rose 37% year-over-year, due to conversion of large orders into current business mainly in Europe, C.I.S., Africa, Middle East, and, to a lesser degree, in the Americas and Asia, Australia. Revenue growth was supported clearly by positive currency translation effects. New orders were down 24% due primarily to a lower volume from large offshore orders in Germany. New order intake in the U.S. was down compared to fiscal 2011. With the expected near-term expiration of tax incentives in the U.S., orders in that country nearly ceased towards the end of fiscal 2012. Given market developments in the U.S., Wind Power announced plans to reduce its production capacity. Challenging market conditions at Wind Power, including pricing pressure, are expected to continue in coming quarters.

Profit at **Oil & Gas** declined sharply year-over-year from the prior year due primarily to 275 million in earnings impacts stemming from the change in credit risk assessment for Iran mentioned above. In other respects, Oil & Gas performed well, including a higher earnings contribution from its services business as well as from its turbines business. Revenue increased clearly due primarily to growth in Asia, Australia. Orders decreased substantially in Asia, Australia, taking orders lower for the Division overall.

**Power Transmission** reported a loss of 302 million for fiscal 2012, compared to profit of 566 million for fiscal 2011. The major factor was 570 million in project charges related primarily to technically complex grid connections to offshore wind-farms in Germany. These charges were due to project delays resulting from a complex regulatory environment and the projects' complex marine environment, which required revised estimates of resources and personnel. In addition, profit was impacted by charges totaling 66 million to address structural issues in the transformers business. Earnings were also held back by a less favorable revenue mix, due in part to low-margin orders booked during prior periods with significant pricing pressure. These factors were only partly offset by the release of a provision of 64 million related to a successful project completion. For comparison, prior-year period profit included charges of 57 million, including for staff reduction measures, associated with optimizing the Division's global manufacturing footprint. Order intake decreased 20% compared to the prior year, which included a higher volume from large orders and a sharp drop in orders in the solutions business due in part to more selective order intake. All three reporting regions saw lower orders. The Division expects continuing challenges, including the technically complex grid-connection projects mentioned above and structural issues in certain businesses.

**Healthcare**

Sector	Year ended		% Change			
	September 30, 2012	September 30, 2011	Actual	Adjusted	Currency	Portfolio
	(in millions of €)					
Profit	1,815	1,334	36%			
Profit margin	13.3%	10.7%				
New orders	13,806	13,116	5%	0%	4%	0%
Total revenue	13,642	12,517	9%	4%	4%	0%
External revenue	13,600	12,463	9%			
therein:						
Europe, C.I.S. <sup>(2)</sup> , Africa, Middle East	4,593	4,489	2%			
therein Germany	1,056	992	6%			
Americas	5,692	5,233	9%			
Asia, Australia	3,315	2,741	21%			

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

The healthcare market environment reflected continuing pressure on public health budgets in developed countries while healthcare spending increased in emerging market countries, particularly including China. In fiscal 2012, the **Healthcare** Sector launched *Agenda 2013*, which is a global initiative targeting innovation, regional presence, competitiveness, and human resource development. The initiative encompasses a realignment of the radiation therapy business that includes rightsizing measures and a program to improve the cost position at Diagnostics.



**Table of Contents**

The Healthcare Sector delivered 1.815 billion in profit in fiscal 2012, led by continued strong earnings performance from its imaging and therapy systems businesses. Results for the year were influenced by Agenda 2013, including 184 million in charges. The Sector expects additional charges in coming quarters. Profit development also included higher expenses for research and development as well as higher marketing, selling and general administrative expenses, due in part for investments in product development and expanded sales activities in emerging markets. These effects were partly offset by the Sector's 49 million portion of the OPEB-gain in the U.S. mentioned earlier and a net gain of 34 million from the successful pursuit of a patent infringement claim. For comparison, Healthcare profit in fiscal 2011 was held back by negative impacts related to particle therapy projects, primarily including 381 million in the third quarter when the Sector shifted the focus of certain projects primarily to research. Within this impact was a negative effect of approximately 100 million related to reducing revenue from prior periods. In addition the Sector took 32 million in charges stemming from increased cost estimates for completing particle therapy contracts in the first quarter. Fiscal 2011 profit was held back also by the Sector's 43 million share of the special employee remuneration allocation mentioned earlier and a loss of 32 million on the sale of a healthcare IT business in France.

Profit at **Diagnostics** came in at 314 million compared to 300 million a year earlier, driven primarily by higher revenue. In connection with the Agenda 2013 initiative, Diagnostics took 80 million in charges in fiscal 2012 related to improving its cost position. For comparison, profit at Diagnostics in fiscal 2011 was impacted by an increase in valuation allowances for receivables triggered by a debt rating downgrade related to Greece. Purchase price allocation (PPA) effects related to past acquisitions at Diagnostics were 173 million in fiscal 2012. A year earlier, Diagnostics recorded 169 million in PPA effects.

Revenue for Healthcare in fiscal 2012 increased 9% compared to the prior-year period, including growth on a broad basis among its businesses. Revenue a year earlier included the negative revenue effect of approximately 100 million related to particle therapy projects mentioned above. Orders came in 5% higher, with most businesses contributing increases. On a geographic basis, Asia, Australia and the Americas drove revenue and order growth, due to increases in China and the U.S. The book-to-bill ratio was 1.01, and Healthcare's order backlog was 7 billion at the end of fiscal 2012.

The Sector's Diagnostics business contributed to overall growth. Revenue and orders were up 8%, both reaching 3.969 billion from 3.667 billion and 3.678 billion, respectively, in the prior-year period. Diagnostics showed the same development as the Sector with regard to the regions. On an organic basis, both revenue and orders rose 4%.

**Industry**

	Year ended September 30,		% Change		therein	
	2012	2011	Actual	Adjusted <sup>(1)</sup>	Currency	Portfolio
	(in millions of €)					
<b>Sector</b>						
Profit	2,467	2,752	(10)%			
Profit margin	12.0%	14.0%				
New orders	19,985	20,184	(1)%	(3)%	2%	0%
Total revenue	20,508	19,590	5%	2%	3%	0%
External revenue	18,872	18,124	4%			
<i>therein:</i>						
<i>Europe, C.I.S.<sup>(2)</sup>, Africa, Middle East</i>	9,789	9,376	4%			
<i>therein Germany</i>	4,487	4,293	5%			
<i>Americas</i>	4,280	3,801	13%			
<i>Asia, Australia</i>	4,802	4,947	(3)%			

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

**Table of Contents**

In fiscal 2012, profit at **Industry** declined 10% year-over-year as market conditions for the Sector became less favorable in the second half of the period. This was particularly evident in China and to a lesser extent in Germany, two of the Sector's most important national markets. Profit development in fiscal 2012 was also held back by a less favorable business mix as well as higher marketing, selling, general and administrative expenses associated with innovation and growth opportunities. Furthermore, profit at Industry was impacted by market challenges for its renewable energy offerings. The Sector took 28 million in charges related to severance programs for adjusting capacity and adapting its portfolio primarily related to those offerings. These factors were only partially offset by Industry's 30 million portion of the OPEB gain mentioned earlier. For comparison, profit in fiscal 2011 was burdened by Industry's 75 million share of a special remuneration allocation.

Revenue in fiscal 2012 for Industry rose moderately year-over-year on broad-based increases across its businesses. Industry's orders declined slightly compared to the prior fiscal year as higher orders at Industry Automation were more than offset by a decrease at Drive Technologies and the metal technologies business. On a regional basis, revenue was up in the Americas and Europe, C.I.S., Africa, Middle East, more than offsetting a decline in Asia, Australia. The decline in orders was due primarily to lower demand from Asia, Australia. Revenue and order development in fiscal 2012 benefited from positive currency translation effects. On a book-to-bill ratio of 0.97, Industry's order backlog was 11 billion at the end of fiscal 2012, unchanged from a year earlier.

Businesses	New orders					
	Year ended		% Change		therein	
	September 30, 2012	September 30, 2011	Actual	Adjusted <sup>(1)</sup>	Currency	Portfolio
	(in millions of €)					
Industry Automation	9,547	8,983	6%	4%	3%	0%
Drive Technologies	9,395	9,995	(6)%	(8)%	2%	0%

(1) Excluding currency translation and portfolio effects.

Businesses	Revenue					
	Year ended		% Change		therein	
	September 30, 2012	September 30, 2011	Actual	Adjusted <sup>(1)</sup>	Currency	Portfolio
	(in millions of €)					
Industry Automation	9,563	8,974	7%	3%	3%	0%
Drive Technologies	9,640	9,179	5%	3%	2%	0%

(1) Excluding currency translation and portfolio effects.

Businesses	Profit			Profit Margin	
	Year ended		% Change	Year ended	
	September 30, 2012	September 30, 2011		September 30, 2012	September 30, 2011
	(in millions of €)				
Industry Automation	1,335	1,411	(5)%	14.0%	15.7%
Drive Technologies	970	1,158	(16)%	10.1%	12.6%

Profit at **Industry Automation** declined 5% year-over-year. The decline compared to the prior fiscal year was due mainly to a less favorable business mix, higher marketing and selling, general and administrative expenses and lower earnings from the Division's offerings for renewable energy. On growth in all three reporting regions, revenue for the Division was up 7% and orders increased 6% year-over-year. Both fiscal years under review included PPA effects from the acquisition of UGS Corp., acquired in fiscal 2007. PPA effects were 149 million in fiscal 2012 and 137 million a year earlier.

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Profit at **Drive Technologies** in fiscal 2012 came in at 970 million, down significantly from a year earlier also due mainly to a less favorable business mix, lower earnings from its offerings for renewable energy, and

**Table of Contents**

higher research and development as well as marketing, selling and general administrative costs compared to fiscal 2011. The Division's portion of the severance charges mentioned for the Sector was 20 million. While revenue for Drive Technologies grew moderately compared to fiscal 2011, orders declined clearly year-over-year. On a regional basis, revenue growth was driven by the Americas and supported by moderate growth in Europe, C.I.S., Africa, Middle East. The decline in orders was due to weak demand from Asia, Australia.

**Infrastructure & Cities**

Sector	Year ended September 30,		% Change		therein	
	2012	2011	Actual	Adjusted <sup>(1)</sup>	Currency	Portfolio
	(in millions of €)					
Profit	1,102	1,126	(2)%			
Profit margin	6.3%	6.6%				
New orders	17,150	21,348	(20)%	(22)%	2%	0%
Total revenue	17,585	16,976	4%	1%	3%	0%
External revenue	16,731	16,166	3%			
therein:						
Europe, C.I.S. <sup>(2)</sup> , Africa, Middle East	10,121	9,590	6%			
therein Germany	2,880	2,938	(2)%			
Americas	4,344	3,882	12%			
Asia, Australia	2,267	2,694	(16)%			

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

Profit at **Infrastructure & Cities** came in at 1.102 billion, down slightly year-over-year. While the Power Grid Solutions & Products business and the Building Technologies Division both improved profit year-over-year, profit at Transportation & Logistics declined substantially due mainly to 86 million in charges at a rolling stock project in Germany. Profit development for the Sector was also held back by 42 million in charges related to severance programs. These negative effects were partly offset by a positive 50 million contribution from the Sector's interest in AtoS and the Sector's 30 million portion of the OPEB gain mentioned earlier. For comparison, profit in fiscal 2011 was burdened by the Sector's 63 million share of a special employee remuneration allocation.

Revenue grew moderately year-over-year, as higher revenue in the regions America and Europe, C.I.S., Africa, Middle East more than offset a decline in Asia, Australia. Revenue growth was driven by Power Grid Solutions & Products and Building Technologies. Revenue at Transportation & Logistics declined slightly year-over-year. Orders for the Sector decreased 20% compared to the prior year, which included a sharply higher volume from major orders at Transportation & Logistics. This included Siemens' largest-ever train order in Germany, worth 3.7 billion, and a major order for high-speed trains in the U.K. As a result, fiscal 2012 orders came in substantially lower in Europe, C.I.S., Africa, Middle East. Order intake was also clearly lower in Asia, Australia, only partly offset by a slight increase in the Americas. On a book-to-bill ratio of 0.98, Infrastructure & Cities' order backlog was 24 billion at the end of fiscal 2012, unchanged from a year earlier.

Businesses	Year ended September 30,		New orders % Change		therein	
	2012	2011	Actual	Adjusted <sup>(1)</sup>	Currency	Portfolio
	(in millions of €)					
Transportation & Logistics	5,382	10,052	(46)%	(48)%	1%	0%
Power Grid Solutions & Products	6,275	5,905	6%	4%	2%	0%
Building Technologies	5,809	5,597	4%	0%	3%	0%

- (1) Excluding currency translation and portfolio effects.

**Table of Contents**

	Year ended		Revenue			
	September 30,		% Change		therein	
	2012	2011	Actual	Adjusted <sup>(1)</sup>	Currency	Portfolio
	(in millions of )					
<b>Businesses</b>						
Transportation & Logistics	5,969	6,041	(1)%	(4)%	2%	0%
Power Grid Solutions & Products	6,068	5,657	7%	5%	2%	0%
Building Technologies	5,820	5,468	6%	3%	3%	0%

(1) Excluding currency translation and portfolio effects.

	Profit		Profit Margin		
	Year ended		% Change	Year ended	
	2012	2011		2012	2011
	(in millions of )				
<b>Businesses</b>					
Transportation & Logistics	236	365	(35)%	4.0%	6.0%
Power Grid Solutions & Products	457	413	11%	7.5%	7.3%
Building Technologies	379	364	4%	6.5%	6.7%

Profit at the **Transportation & Logistics** business declined 35% year-over-year. This decline was due mainly to the above-mentioned

86 million in charges related to delays in fulfilling a rolling stock order in Germany. In addition, the revenue mix in fiscal 2012 was less favorable due to lower margins associated with large, long-term contracts from prior periods which Transportation & Logistics began to convert into current business in fiscal 2012. Revenue came in slightly lower year-over-year, as higher revenue in the Europe, C.I.S., Africa, Middle East region was more than offset by lower revenue in Asia, Australia and the Americas. Order intake decreased 46% year-over-year, due to the sharply higher volume from large orders a year earlier. This comparison effect was particularly evident in the Europe, C.I.S., Africa, Middle East region, where Transportation & Logistics won the above-mentioned large orders in fiscal 2011 for trains in Germany and the U.K.

The profit improvement at **Power Grid Solutions & Products** was driven by the business low and medium voltage activities. Profit from smart grid activities was held back by higher research and development, marketing, selling and general administrative expenses for growth initiatives. Revenue and orders increased clearly year-over-year, particularly including double-digit growth in the Americas.

Profit at **Building Technologies** increased moderately year-over-year. Profit development in fiscal 2012 was held back by higher research and development, marketing, selling and general administrative expenses associated with growth initiatives. Growth in revenue and orders was driven by demand for the Division's energy efficiency solutions. On a regional basis, revenue and orders were up in all three reporting regions.

**Equity Investments**

In fiscal 2012, **Equity Investments** recorded a loss of 549 million compared to a loss of 26 million in fiscal 2011. The difference year-over-year is due mainly to a sharply higher equity investment loss related to our share in NSN, which increased to 741 million in fiscal 2012 compared to a loss of 280 million a year earlier. NSN reported to Siemens that it took restructuring charges and associated items totaling 1.059 billion in fiscal 2012 up from 151 million in the prior fiscal year. In fiscal 2012, NSN started implementing its previously announced global restructuring program aimed at maintaining its long-term competitiveness and improving profitability. Equity investment loss related to our share in EN declined to 23 million in fiscal 2012 compared to 46 million a year earlier. Losses in both fiscal years were partly offset by income from equity investments related to our share in BSH. Furthermore, results from Equity Investments in fiscal 2011 benefited from a 90 million gain on the sale of our share in KMW. Results at Equity Investments are expected to remain volatile in coming quarters.



**Table of Contents****Financial Services (SFS)**

	Year ended September 30,		% Change
	2012	2011	
	(in millions of €)		
Income before income taxes	479	428	12%
Total assets	17,405	14,602	19%

In fiscal 2012, SFS recorded a higher profit (defined as income before income taxes) year-over-year. While both interest result and operating expenses associated with SFS growth strategy increased year-over-year, the current period was primarily affected by a 78 million gain on the sale of a stake in Bangalore International Airport Limited, a public-private partnership, reducing SFS equity participation from 40% to 26%. This gain was partly offset by higher credit hits. The growth strategy at SFS has led to a significant build-up in total assets, from 14.602 billion at the end of fiscal 2011 to 17.405 billion at the end of fiscal 2012, including positive currency translation effects.

The following table provides further information on the capital structure of SFS as of September 30, 2012 and 2011:

	Year ended September 30,	
	2012	2011
	(in millions of €)	
Allocated equity	1,790	1,593
Total debt	14,558	12,075
<i>therein intragroup financing</i>	<i>14,510</i>	<i>12,066</i>
<i>therein debt from external sources</i>	<i>47</i>	<i>9</i>
Debt to equity ratio	8.13	7.58
Cash and cash equivalents	116	178

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

The allocated equity for SFS is mainly determined and influenced by the size and quality of its portfolio of commercial finance as well as project and structured finance assets (primarily loans and leases) and equity investments. This allocation is designed to cover the risks of the underlying business and is in line with common risk management standards. The actual risk of the SFS portfolio is evaluated and controlled on a regular basis. The allocated equity is calculated quarterly.

**Reconciliation to Consolidated Financial Statements**

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

**Centrally managed portfolio activities**

Centrally managed portfolio activities reported a loss of 29 million in fiscal 2012, compared to a loss of 40 million in fiscal 2011.

**Siemens Real Estate (SRE)**

Income before income taxes at SRE was 115 million in fiscal 2012, compared to 150 million in fiscal 2011. This decrease is due in part to lower income related to the disposal of real estate. SRE expects to continue with real estate disposals depending on market conditions.

**Table of Contents****Corporate items and pensions**

Corporate items and pensions totaled a negative 302 million in fiscal 2012 compared to a negative 257 million a year earlier.

The difference was due mainly to centrally carried pension expense, which totaled a negative 47 million in fiscal 2012, compared to a positive 75 million in the prior year. The change is due primarily to a negative effect resulting from a lower expected return on plan assets and higher interest costs.

Corporate items were a negative 255 million in fiscal 2012 compared to a negative 331 million in fiscal 2011. The amount for fiscal 2012 benefited from positive effects related to legal and regulatory matters, compared to net expenses, including a provision of regional risks of 99 million, related to such matters in the prior year. In addition, fiscal 2012 includes an amount of 103 million related to reimbursements to AtoS, compared to 53 million in the prior year. It also includes a net gain of 19 million related to a major asset retirement obligation, compared to a net loss of 28 million in fiscal 2011. The prior year benefited from management's allocation of 267 million of personnel-related costs related to special employee remuneration, which had been accrued in Corporate items in fiscal 2010. Within this amount, 240 million was allocated to the Sectors.

**Eliminations, Corporate Treasury and other reconciling items**

In fiscal 2012, income before income taxes from Eliminations, Corporate Treasury and other reconciling items was a positive 23 million, compared to a negative 90 million a year earlier. The main factor of the improvement was Corporate Treasury activities, due mainly to positive changes in the fair market value of interest rate derivatives not qualifying for hedge accounting used for interest rate management, partly offset by negative currency effects relating to corporate financing activities.

**FISCAL 2011 COMPARED TO FISCAL 2010****RESULTS OF SIEMENS**

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

**New orders and revenue**

In fiscal 2011, orders rose 15% year-over-year, to 85.166 billion, including a substantially higher volume from major orders compared to the prior-year period. Revenue increased steadily throughout fiscal 2011 and came in at 73.275 billion, up 6% from the prior-year period. This resulted in a book-to-bill ratio of 1.16 for Siemens in fiscal 2011. Organic volume development was almost in line with reported figures, given that effects from currency exchange fluctuations during fiscal 2011 largely offset one another. The order backlog (defined as the sum of order backlogs of our Sectors) was 97 billion as of September 30, 2011, up from 88 billion a year earlier.

	New orders (location of customer)					
	Year ended		% Change		therein	
	September 30, 2011	September 30, 2010	vs. previous year Actual	vs. previous year Adjusted <sup>(1)</sup>	Currency	Portfolio
	(in millions of €)					
Europe, C.I.S. <sup>(2)</sup> , Africa, Middle East	46,711	39,445	18%	19%	0%	0%
therein Germany	17,353	10,690	62%	63%	0%	(1)%
Americas	22,077	21,441	3%	5%	(2)%	0%
therein U.S.	15,732	15,179	4%	7%	(3)%	0%
Asia, Australia	16,378	13,102	25%	24%	2%	(1)%
therein China	6,241	5,281	18%	20%	0%	(2)%
therein India	3,310	2,286	45%	44%	1%	0%
<b>Siemens</b>	<b>85,166</b>	<b>73,987</b>	<b>15%</b>	<b>16%</b>	<b>0%</b>	<b>0%</b>

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- (1) Excluding currency translation and portfolio effects.
- (2) Commonwealth of Independent States.

**Table of Contents**

**Orders related to external customers** in fiscal 2011 increased by 15% compared to the prior year, including higher demand in all Sectors. Infrastructure & Cities reported order growth of 30%. The largest of contribution to this increase came from Transportation & Logistics, where a higher volume from large orders compared to the prior-year period included the 3.7 billion order for trains mentioned earlier. Order intake in the Energy Sector rose by double digits in fiscal 2011 and included growth at all businesses. A higher volume from major orders in the Energy Sector was most notable at Fossil Power Generation. The Industry Sector contributed double-digit order growth in fiscal 2011 with increases at Drive Technologies and Industry Automation. Orders in Healthcare increased moderately compared to the prior-year period, due to robust growth at its imaging and therapy systems businesses. Orders in emerging markets on a global basis grew faster than orders overall, by 17% year-over-year, and accounted for 28.075 billion, or 33%, of total orders for fiscal 2011.

On a geographic basis, Siemens reported order growth in all three reporting regions in fiscal 2011. In the region **Europe, C.I.S., Africa, Middle East**, orders rose 18% on double-digit increases in Infrastructure & Cities, Energy and Industry. Infrastructure & Cities orders rose 50% in the region, due largely to the major contract win for trains at Transportation & Logistics mentioned above. This was also the primary driver for 62% order growth in Germany. The Energy Sector delivered order growth of 11% in the Europe, C.I.S., Africa, Middle East region, due primarily to a higher volume from major orders at Fossil Power Generation and Wind Power compared to the prior-year period. Order growth for Industry in the region included strong demand at Drive Technologies and Industry Automation. Healthcare's orders in the region came in slightly below the level of fiscal 2010. In the **Americas**, order intake rose 3% on increases in Industry, Energy and Infrastructure & Cities. Order growth in Industry in the Americas region was led by a strong double-digit increase at Drive Technologies. Higher orders in the Energy Sector were due primarily to higher demand at Power Transmission and Fossil Power Generation. Healthcare's orders in the region came in level compared to the prior-year period. Order intake in the **Asia, Australia** region climbed 25% in fiscal 2011, including double-digit growth in three of four Sectors. Orders in the Energy Sector in the region climbed 55% compared to the prior-year period, including a higher volume from major orders mainly at Fossil Power Generation and Oil & Gas. Industry reported 20% order growth in the region, including strong demand at Drive Technologies and Industry Automation. Orders in the Asia, Australia region increased 16% in Healthcare compared to the prior-year period, due mainly to strong order growth at its imaging and therapy systems businesses. Infrastructure & Cities showed a slight order decline. Order intake in India increased significantly compared to the prior-year period, due primarily to a major contract win at Fossil Power Generation in the first quarter of fiscal 2011.

	Revenue (location of customer)					
	Year ended		% Change		therein	
	September 30, 2011	2010	vs. previous year Actual	Adjusted <sup>(1)</sup>	Currency	Portfolio
	(in millions of €)					
Europe, C.I.S. <sup>(2)</sup> , Africa, Middle East	38,448	37,408	3%	3%	0%	(1)%
<i>therein Germany</i>	<i>10,810</i>	<i>10,221</i>	<i>6%</i>	<i>6%</i>	<i>0%</i>	<i>(1)%</i>
Americas	20,470	18,642	10%	12%	(3)%	0%
<i>therein U.S.</i>	<i>14,368</i>	<i>13,308</i>	<i>8%</i>	<i>12%</i>	<i>(4)%</i>	<i>0%</i>
Asia, Australia	14,357	12,778	12%	12%	1%	(1)%
<i>therein China</i>	<i>6,389</i>	<i>5,526</i>	<i>16%</i>	<i>17%</i>	<i>0%</i>	<i>(1)%</i>
<i>therein India</i>	<i>2,353</i>	<i>1,877</i>	<i>25%</i>	<i>27%</i>	<i>(2)%</i>	<i>0%</i>
<b>Siemens</b>	<b>73,275</b>	<b>68,828</b>	<b>6%</b>	<b>7%</b>	<b>0%</b>	<b>0%</b>

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

**Revenue related to external customers** rose 6% compared to fiscal 2010, including increases in all Sectors. Strong conversion from the Sectors order backlogs played a major role in broad-based revenue growth.

**Table of Contents**

Revenue in the Industry Sector increased 15% year-over-year, led by strong double-digit growth at Drive Technologies and Industry Automation. Energy reported a revenue increase of 9% in fiscal 2011 on increases in all businesses, led by Fossil Power Generation, Wind Power and Oil & Gas. Revenue at Healthcare and Infrastructure & Cities came in slightly above the prior-year period. On a global basis, emerging markets grew faster than revenue overall, at 11%, and accounted for 24.001 billion, or 33%, of total revenue in fiscal 2011.

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

**Consolidated Statements of Income**

	Year ended September 30,		
	2011	2010	% Change
	(in millions of )		
Gross profit	22,229	20,012	11%
<i>as percentage of revenue</i>	<i>30.3%</i>	<i>29.1%</i>	
Research and development expenses	(3,899)	(3,547)	10%
<i>as percentage of revenue</i>	<i>5.3%</i>	<i>5.2%</i>	
Marketing, selling and general administrative expenses	(10,239)	(9,632)	6%
<i>as percentage of revenue</i>	<i>14.0%</i>	<i>14.0%</i>	
Other operating income	547	839	(35)%
Other operating expense	(374)	(1,548)	(76)%
Income (loss) from investments accounted for using the equity method, net	210	16	>200%
Interest income	2,200	2,045	8%
Interest expense	(1,716)	(1,758)	(2)%
Other financial income (expense), net	649	(383)	n/a
Income from continuing operations before income taxes	9,608	6,045	59%
Income taxes	(2,232)	(1,716)	30%
<i>as percentage of income from continuing operations before income taxes</i>	<i>23%</i>	<i>28%</i>	
<b>Income from continuing operations</b>	<b>7,376</b>	<b>4,329</b>	<b>70%</b>
<b>Loss from discontinued operations, net of income taxes</b>	<b>(1,055)</b>	<b>(261)</b>	<b>&gt;200%</b>
<b>Net income</b>	<b>6,321</b>	<b>4,068</b>	<b>55%</b>
Net income attributable to non-controlling interests	176	169	
Net income attributable to shareholders of Siemens AG	6,145	3,899	58%

**Income from continuing operations** was 7.376 billion in fiscal 2011, up from 4.329 billion in fiscal 2010. Gross profit for fiscal 2011 rose 2.217 billion year-over-year, driven by a strong double-digit percent increase in the Industry Sector due to high capacity utilization. For comparison, Industry's gross profit in fiscal 2010 was held back by 205 million in charges related to a project engagement with a local partner in the U.S. Gross profit rose 9% in Energy compared to fiscal 2010, driven by a strong operating performance at Fossil Power Generation, which combined excellent project execution with a more favorable business mix year-over-year. In contrast, gross profit declined at Power Transmission, due in part to a negative swing in effects related to commodity hedging. Lower gross profit in Healthcare was driven by negative impacts related to the particle therapy business, primarily including third-quarter charges of 381 million related to the reevaluation of the commercial feasibility of particle therapy. For comparison, charges related to the particle therapy business in fiscal 2010 amounted to 96 million. Gross profit was also higher at Infrastructure & Cities than in fiscal 2010.

**Table of Contents**

In fiscal 2010, gross profit in all four Sectors benefited from their respective portions of gains related to a curtailment of pension plans in the U.S. In addition, gross profit in fiscal 2010 included 169 million of the expenses related to the special remuneration for non-management employees mentioned earlier.

In addition, all Sectors increased their spending for marketing, selling and administrative expenses and research and development expenses associated with business expansion.

Other operating income in fiscal 2011 included 64 million related to a settlement of legal matters in connection with portfolio activities. For comparison, fiscal 2010 benefited from gains in connection with compliance-related matters, higher gains related to the disposal of businesses and higher gains related to the disposal of real estate. Further, Siemens ceased to consolidate a subsidiary in the third quarter of fiscal 2010 due to a loss of control and recorded a related gain of 40 million. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 5.

Other operating expense decreased primarily due to impairment charges at the Diagnostics Division in fiscal 2010, including 1.145 billion for goodwill and 39 million for real estate. In addition, fiscal 2010 included 106 million provided for in connection with an expected loss from the sale of our electronics assembly systems business to ASM Pacific Technology. Fiscal 2011 included higher charges year-over-year related to legal and regulatory matters. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 6.

Income from investments accounted for using the equity method, net increased year-over-year. In fiscal 2011, the equity investment loss related to NSN decreased to 280 million, down from a loss of 533 million a year earlier. In contrast, equity investment income related to our stakes in EN, BSH and KMW declined to a total of 145 million in fiscal 2011 from a total of 282 million in fiscal 2010. In addition, fiscal 2011 included a gain of 90 million on the sale of our 49% interest in KMW to the Wegmann Group. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 7.

Income from continuing operations in fiscal 2011 benefited from a gain of 1.520 billion on the sale of Energy's interest in Areva NP, partly offset by the negative impact of 682 million related to an adverse arbitration decision associated with our decision to exit our nuclear power joint venture with Areva. The net effect of these factors is included in Other financial income (expense) net. Changes in the fair market value of interest rate and foreign currency derivatives not qualifying for hedge accounting also contributed to the increase in that line item year-over-year. For additional information, including information on interest income and interest expense, see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 8.

As a result of these developments, **Income from continuing operations before income taxes** increased to 9.608 billion in fiscal 2011, compared to 6.045 billion in fiscal 2010. The effective tax rate was 23% in fiscal 2011 and benefited from the income tax treatment of the Areva disposal gain, which was mainly tax-free. For comparison, the effective tax rate of 28% in fiscal 2010 was adversely affected by the goodwill impairment charges at the Diagnostics Division, the majority of which was not deductible for tax purposes. This effect was more than offset in fiscal 2010 by the release of tax provisions after the conclusion of tax audits, and the release of tax liabilities after the positive decision on appeal related to non-deductible expenses in connection with certain foreign dividends. As a result, Income from continuing operations was 7.376 billion in fiscal 2011, up from 4.329 billion in fiscal 2010.

**Loss from discontinued operations, net of income taxes** in fiscal 2011 was 1.055 billion, compared to 261 million in fiscal 2010. Loss from discontinued operations, net of income taxes was comprised of the following:

	Year ended		% Change
	September 30, 2011	September 30, 2010	
	(in millions of €)		
OSRAM	309	318	(3)%
Siemens solar business	(365)	(67)	>200%
Siemens IT Solutions and Services	(826)	(468)	76%
Other former activities	(172)	(44)	>200%

**Table of Contents**

OSRAM, which Siemens planned to list publicly, contributed a positive 309 million after tax to income from discontinued operations in fiscal 2011, nearly unchanged from a positive 318 million after tax a year earlier. OSRAM reported a 8% revenue increase compared to the previous fiscal year. Growth was driven by demand for specialty lighting products as well as by increased LED business.

The solar business posted losses of 365 million in fiscal 2011 and 67 million in fiscal 2010. Fiscal 2011 included pre-tax impairment charges of 231 million.

Results related to Siemens IT Solutions and Services, which was sold to Atos S.A. (AtoS) in the fourth quarter of fiscal 2011, were sharply lower year-over-year. The loss in fiscal 2011 included pretax charges of 659 million for impairments of long-lived assets, including 136 million for goodwill; 250 million in pretax charges in connection with the integration and training program related to the transfer of the business to AtoS; as well as pretax charges of 168 million related to establishing Siemens IT Solutions and Services as a separate legal group. For comparison, the result associated with Siemens IT Solutions and Services in fiscal 2010 was a loss of 468 million after tax, including pretax charges of 385 million related to the completion of staff reduction measures related to the strategic reorientation of Siemens IT Solutions and Services aimed at strengthening the competitive position of the business.

Discontinued operations also include certain remaining items related to former activities that were disposed of in prior years. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 4.

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

**SEGMENT INFORMATION ANALYSIS****Energy**

Sector	Year ended September 30,		% Change		therein	
	2011 (in millions of )	2010	Actual	Adjusted <sup>(1)</sup>	Currency	Portfolio
Profit	4,230	3,043	39%			
Profit margin	17.2%	13.4%				
New orders	31,407	27,280	15%	15%	0%	0%
Total revenue	24,645	22,712	9%	9%	(1)%	0%
External revenue	24,390	22,435	9%			
<i>therein:</i>						
<i>Europe, C.I.S.<sup>(2)</sup>, Africa, Middle East</i>	<i>13,447</i>	<i>12,934</i>	<i>4%</i>			
<i>therein Germany</i>	<i>1,668</i>	<i>1,756</i>	<i>(5)%</i>			
<i>Americas</i>	<i>7,075</i>	<i>6,122</i>	<i>16%</i>			
<i>Asia, Australia</i>	<i>3,869</i>	<i>3,380</i>	<i>14%</i>			

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

The **Energy** Sector delivered another strong operating performance in fiscal 2011, including excellent project execution at Fossil Power Generation. Profit for the Sector rose to 4.230 billion, notwithstanding significant increases in spending for R&D, marketing and selling associated with new technologies and expansion of the Sector's global footprint, particularly at Wind Power. Profit for the year was positively influenced by the net effect related to Areva, including the 1.520 billion disposal gain and the negative 682 million impact related to the arbitration decision mentioned earlier. In contrast, profit was held back by Energy's 60 million share of the special employee remuneration allocation mentioned earlier.

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Revenue in the Energy Sector rose 9% year-over-year, to 24.645 billion in fiscal 2011, on increases in all Divisions and conversion of the Sector's strong order backlog. On a geographic basis, revenue rose in all regions,



**Table of Contents**

with double-digit increases in the regions Americas and Asia, Australia. The Sector's order intake rose 15% compared to fiscal 2010 on broad-based growth in all Divisions. Fossil Power Generation contributed the largest increase, driven by a higher volume from major orders. On a geographic basis, strong growth in emerging markets was the primary driver for higher orders in all regions. On a book-to-bill ratio of 1.27, the Sector's order backlog rose to 55 billion at the end of fiscal 2011, up from 51 billion a year earlier.

Divisions	Year ended		New Orders			therein Portfolio
	September 30,		% Change		Currency	
	2011	2010	Actual	Adjusted <sup>(1)</sup>		
	(in millions of )					
Fossil Power Generation	12,487	9,920	26%	26%	(1)%	0%
Wind Power	6,461	5,856	10%	11%	(1)%	0%
Oil & Gas	5,551	4,943	12%	10%	2%	1%
Power Transmission	7,271	6,770	7%	8%	0%	0%

(1) Excluding currency translation and portfolio effects.

Divisions	Year ended		Revenue			therein Portfolio
	September 30,		% Change		Currency	
	2011	2010	Actual	Adjusted <sup>(1)</sup>		
	(in millions of )					
Fossil Power Generation	10,203	9,550	7%	8%	(1)%	0%
Wind Power	3,686	3,117	18%	23%	(4)%	0%
Oil & Gas	4,719	4,156	14%	12%	1%	1%
Power Transmission	6,334	6,143	3%	4%	0%	0%

(1) Excluding currency translation and portfolio effects.

Divisions	Profit		% Change	Profit margin	
	Year ended			Year ended	
	2011	2010		2011	2010
	(in millions of )				
Fossil Power Generation	2,837	1,449	96%	27.8%	15.2%
Wind Power	357	398	(10)%	9.7%	12.8%
Oil & Gas	467	455	3%	9.9%	10.9%
Power Transmission	566	718	(21)%	8.9%	11.7%

In fiscal 2011, **Fossil Power Generation** recorded profit of 2.837 billion, representing a sharp increase compared to fiscal 2010. The Division maintained its strong performance in project execution throughout the fiscal year, and also benefited from a more favorable business mix year-over-year, including conversion of high-margin component orders and a strong contribution from the service business. Reported profit also benefited from the net effect related to Areva mentioned above for the Sector, partly offset by project charges of 87 million in the second quarter of fiscal 2011 related to the Olkiluoto project in Finland. A year earlier, profit for the Division was held back by charges of 57 million for capacity adjustments related to a shift of production capacity within the Americas region. Orders for fiscal 2011 climbed 26% from a relatively low basis of comparison in fiscal 2010, driven by strong demand in emerging markets and a substantially higher volume from major orders. Revenue rose 7% year-over-year, including a double-digit increase in the Americas region.

Revenue at **Wind Power** increased significantly by 18% in fiscal 2011, as the Division continued to convert orders from its large order backlog. New orders were 10% higher than in fiscal 2010, driven by strong growth in the Europe, C.I.S., Africa, Middle East region. The Division

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continued to take in large wind-farm orders from Europe and the U.S. and also won its first order from China – the world’s largest national wind-farm market. With profit of \$357 million, Wind Power delivered a solid operating performance in fiscal 2011 while increasing

**Table of Contents**

its spending for R&D, marketing and selling associated with growth. It also saw continuing pricing pressure as the market matured and grew more competitive, most notably for onshore projects.

Profit at **Oil & Gas** rose 3% in fiscal 2011, to 467 million, including a strong performance in its turbines business. The Division's 14% increase in revenue year-over-year was driven by strong growth in emerging markets, particularly in China and India, where revenue more than doubled. Orders at Oil & Gas climbed 12% compared to fiscal 2010 on broad-based growth across its businesses.

Profit at **Power Transmission** was 566 million in fiscal 2011, down from 718 million a year earlier. Profit in fiscal 2011 was held back by the conversion of lower-margin contracts from the backlog due to ongoing pricing pressure. This effect was strongest in the transformers and high-voltage substation businesses, which have attracted new market entrants based in lower-cost countries. In addition, charges totaling 57 million, including for staff reduction measures, related to optimizing the Division's global manufacturing footprint were recorded in fiscal 2011. Further, profit development year-over-year was impacted by negative effects related to commodity hedging. Orders at Power Transmission rose 7% year-over-year, led by strong demand at the Division's solutions business. Revenue came in 3% higher compared to fiscal 2010, led by growth in the Europe, C.I.S., Africa, Middle East region.

**Healthcare**

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

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

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

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



**Table of Contents**

contracts. Profit in fiscal 2011 was also held back by the Sector's 43 million share of the special employee remuneration allocation mentioned earlier and a loss of 32 million on the sale of a healthcare IT business in France. For comparison, the Sector's profit of 653 million for fiscal 2010 included charges for impairments totaling 1.204 billion at Diagnostics and 96 million in charges related to the particle therapy business. Profit in the prior year benefited from 79 million of the pension curtailment gain discussed earlier and a gain of 40 million related to the Sector ceasing consolidation of a former subsidiary due to loss of control.

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

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

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

**Industry**

Sector	Year ended		% Change			
	September 30, 2011	September 30, 2010	Actual	Adjusted	Currency	Portfolio
Profit	2,752	1,761	56%			
Profit margin	14.0%	10.1%				
New orders	20,184	17,848	13%	13%	0%	0%
Total revenue	19,590	17,448	12%	13%	0%	0%
External revenue	18,124	15,813	15%			
<i>therein:</i>						
<i>Europe, C.I.S.<sup>(2)</sup>, Africa, Middle East</i>	9,376	8,275	13%			
<i>therein Germany</i>	4,293	3,601	19%			
<i>Americas</i>	3,801	3,277	16%			
<i>Asia, Australia</i>	4,947	4,260	16%			

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

In fiscal 2011, profit, revenue and orders all rose for Industry as well as for its Divisions compared to fiscal 2010. Profit climbed to 2.752 billion, up from 1.761 billion a year earlier with high double-digit growth rates at Industry Automation and Drive Technologies. Profit for the Sector included a solid performance in the metals technologies business in both fiscal years. In an improved business environment year-over-year, the Sector enhanced its regional footprint by increasing spending for sales resources. Profit in fiscal 2011 was burdened by



**Table of Contents**

Industry's 75 million share of the special employee remuneration allocation mentioned earlier. For comparison, profit in fiscal 2010 was held back by 205 million in charges related to cost estimates for a project engagement with a local partner in the U.S. and 161 million in charges for staff reduction measures. These factors were partly offset by 18 million in gains related to curtailment of pension plans in the U.S., which benefited results at both Divisions.

Revenue at Industry in fiscal 2011 grew by 12% year-over-year on double-digit increases at Industry Automation and Drive Technologies and orders rose 13% driven by particularly strong demand at Drive Technologies. Both Divisions saw volume return to the high levels they had achieved before the global economic downturn reduced customer capital expenditures in Industry's short-cycle businesses. On a regional basis, revenue and orders increased in all three reporting regions year-over-year. The highest growth rates in revenue were achieved in the regions Asia, Australia and the Americas and order growth was strongest in Asia, Australia. On a book-to-bill ratio of 1.03, Industry's order backlog rose to 11 billion at the end of fiscal 2011, up from 10 billion a year earlier.

	Year ended		New orders			
	September 30,		Actual	% Change Adjusted <sup>(1)</sup>	therein	
	2011	2010			Currency	Portfolio
	(in millions of )					
<b>Businesses</b>						
Industry Automation	8,983	8,221	9%	10%	0%	0%
Drive Technologies	9,995	7,971	25%	25%	0%	0%

(1) Excluding currency translation and portfolio effects.

	Year ended		Revenue			
	September 30,		Actual	% Change Adjusted <sup>(1)</sup>	therein	
	2011	2010			Currency	Portfolio
	(in millions of )					
<b>Businesses</b>						
Industry Automation	8,974	7,972	13%	13%	0%	0%
Drive Technologies	9,179	7,969	15%	15%	0%	0%

(1) Excluding currency translation and portfolio effects.

	Profit			Profit margin	
	Year ended		% Change	Year ended	
	2011	2010		2011	2010
	(in millions of )				
<b>Businesses</b>					
Industry Automation	1,411	801	76%	15.7%	10.0%
Drive Technologies	1,158	798	45%	12.6%	10.0%

**Industry Automation** increased its profit 76% year-over-year to 1.411 billion in fiscal 2011, on higher capacity utilization and a more favorable business mix. For comparison, profit of 801 million in fiscal 2010 was burdened by 205 million in charges related to the project engagement with a local partner in the U.S. mentioned above as well as 44 million in charges for staff reduction measures, only partly offset by a gain of 19 million from the sale of a business. Both fiscal years under review included PPA effects from the acquisition of UGS Corp., acquired in fiscal 2007. PPA effects were 137 million in fiscal 2011 and 142 million a year earlier. Industry Automation achieved double-digit revenue and clear order growth year-over-year as well as increases in all three reporting regions. Within these figures, the highest growth rates came from the Asia, Australia region.

**Drive Technologies** improved its profit year-over-year to 1.158 billion in fiscal 2011, as a quarter-by-quarter increase in revenue throughout the fiscal year raised the Division's capacity utilization. For comparison, profit of 798 million in fiscal 2010 included charges for staff reduction measures of 74 million. The Division increased revenue by 15% and order intake by 25% compared to fiscal 2010. While revenue growth



**Table of Contents**

was driven mainly by Drive Technologies short-cycle businesses, order growth also included strong contributions from its longer-cycle businesses. On a regional basis, the Division achieved double-digit volume growth in all three reporting regions. Revenue growth was led by the Asia, Australia region and the strongest growth in orders came from the Americas region.

**Infrastructure & Cities**

Sector	Year ended September 30, 2011      2010 (in millions of )		% Change		therein	
			Actual	Adjusted <sup>(1)</sup>	Currency	Portfolio
Profit	1,126	1,286	(12)%			
Profit margin	6.6%	7.7%				
New orders	21,348	16,423	30%	30%	0%	0%
Total revenue	16,976	16,611	2%	2%	0%	0%
External revenue	16,166	15,900	2%			
<i>therein:</i>						
<i>Europe, C.I.S.<sup>(2)</sup>, Africa, Middle East</i>	<i>9,590</i>	<i>9,693</i>	<i>(1)%</i>			
<i>therein Germany</i>	<i>2,938</i>	<i>2,864</i>	<i>3%</i>			
<i>Americas</i>	<i>3,882</i>	<i>3,710</i>	<i>5%</i>			
<i>Asia, Australia</i>	<i>2,694</i>	<i>2,498</i>	<i>8%</i>			

(1) Excluding currency translation and portfolio effects.

(2) Commonwealth of Independent States.

In fiscal 2011, profit, for **Infrastructure & Cities** declined year-over-year, while revenue and orders grew compared to fiscal 2010. Profit was 1.126 billion, down from 1.286 billion a year earlier on declines in all Businesses. Profit in fiscal 2011 was burdened by Infrastructure & Cities 63 million share of the special employee remuneration allocation mentioned earlier. For comparison, profit in fiscal 2010 was held back by a provision for a supplier-related warranty and 26 million in charges for staff reduction measures. These factors were more than offset by a 47 million net gain at Transportation & Logistics on the sale of its airfield lighting business and 40 million in gains related to curtailment of pension plans in the U.S., which benefited results at all Businesses.

Revenue at Infrastructure & Cities in fiscal 2011 grew by 2% year-over-year while orders rose 30% driven by a 78% rise at Transportation & Logistics which recorded a significantly higher volume from large orders year-over-year. This included Siemens largest-ever train order in Germany, worth 3.7 billion, and a major order for high-speed trains in the U.K. On a regional basis, revenue increased in the regions Asia, Australia and Americas year-over-year, more than offsetting a slight decline in Europe, C.I.S., Africa, Middle East. Order growth was driven by the region Europe, C.I.S., Africa, Middle East, including the large train orders just mentioned. On a book-to-bill ratio of 1.26, Infrastructure & Cities order backlog rose to 24 billion at the end of fiscal 2011, up from 20 billion a year earlier.

Businesses	Year ended September 30, 2011      2010 (in millions of )		New orders % Change		therein	
			Actual	Adjusted <sup>(1)</sup>	Currency	Portfolio
Transportation & Logistics	10,052	5,652	78%	77%	1%	1%
Power Grid Solutions & Products	5,905	5,621	5%	6%	(1)%	0%
Building Technologies	5,597	5,290	6%	6%	0%	0%

- (1) Excluding currency translation and portfolio effects.

**Table of Contents**

	Year ended		Revenue			
	September 30,		% Change		therein	
	2011	2010	Actual	Adjusted <sup>(1)</sup>	Currency	Portfolio
	(in millions of )					
<b>Businesses</b>						
Transportation & Logistics	6,041	6,257	(3)%	(4)%	0%	0%
Power Grid Solutions & Products	5,657	5,341	6%	6%	(1)%	0%
Building Technologies	5,468	5,146	6%	6%	0%	0%

(1) Excluding currency translation and portfolio effects.

	Year ended		% Change	Profit margin	
	September 30,			Year ended	
	2011	2010	2011	2010	
	(in millions of )				
<b>Businesses</b>					
Transportation & Logistics	365	421	(13)%	6.0%	6.7%
Power Grid Solutions & Products	413	461	(10)%	7.3%	8.6%
Building Technologies	364	406	(10)%	6.7%	7.9%

**Transportation & Logistics** contributed 365 million in profit in fiscal 2011. For comparison, profit of 421 million in fiscal 2010 benefited from the 47 million gain from the sale of the Business airfield lighting business and the Business portion of the pension curtailment gain, both mentioned above. Revenue for the Transportation & Logistics came in 3% lower year-over-year, as higher revenue in Asia, Australia was more than offset by a decline in revenue in Europe, C.I.S., Africa, Middle East and the Americas. In contrast, new orders rose sharply compared to fiscal 2010 on substantially higher volume from major orders, including the two major train orders mentioned above. Under the terms of the contract for the 3.7 billion order for trains in Germany, revenue recognition will extend for a number of years ahead.

Profit at **Power Grid Solutions & Products** came in at 413 million in fiscal 2011, down from 461 million a year earlier. Profit in fiscal 2011 was held back by higher expenses year-over-year for research and development, marketing and selling associated with business expansion and new technologies such as smart grids in the power distribution business. For comparison, profit in fiscal 2010 included the provision for a supplier-related warranty mentioned above as well as charges for staff reduction measures, which were only partly offset by the Business portion of the pension curtailment gain, also mentioned above. New orders increased 5% compared to the fiscal 2010 and revenue was up 6% year-over-year including strong demand in the low voltage business.

Profit at **Building Technologies** came in at 364 million in fiscal 2011, down from 406 million a year earlier. Profit in fiscal 2011 included higher marketing and selling expenses associated with growth. New orders and revenue both increased 6% compared to fiscal 2010, particularly including strong demand for energy efficiency solutions. On a regional basis, revenue and orders grew in all three reporting regions.

**Equity Investments**

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

**Table of Contents**

In the first quarter of fiscal 2011, Nokia Corporation (Nokia) and Siemens each converted 266 million, consisting of a shareholder loan to NSN and deferred interest into preferred shares. In the fourth quarter of fiscal 2011, in order to strengthen NSN's financial position, Nokia and Siemens each provided new equity of 500 million and received preferred shares in return. The increase in equity did not change the existing shareholding ratio between Nokia and Siemens.

**Financial Services (SFS)**

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

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

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

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

**Reconciliation to Consolidated Financial Statements**

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

**Centrally managed portfolio activities**

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

**Table of Contents****Siemens Real Estate (SRE)**

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

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

**Corporate items and pensions**

In fiscal 2011, Corporate items and pensions posted a loss of 257 million, compared to a loss of 702 million a year earlier. Within this change, Centrally carried pension expense improved to a positive 75 million fiscal 2011, from a negative 167 million in fiscal 2010, due primarily to lower interest costs and a higher expected return on plan assets.

Corporate items recorded a loss of 331 million in fiscal 2011, compared to a loss of 535 million in fiscal 2010. The improvement year-over-year benefited from management's allocation of a substantial part of the 267 million in special employee remuneration that was accrued within Corporate items in the fourth quarter of fiscal 2010. Within this part is the 240 million that was debited to the Sectors for management reporting purposes; charges were made to Energy of 60 million, to Healthcare of 43 million, to Industry of 75 million and to Infrastructure & Cities of 63 million. In contrast, fiscal 2011 included higher net charges related to legal and regulatory matters and provisions of 99 million relating to regional risks. In addition, an amount of 53 million related to reimbursements to AtoS was included in fiscal 2011.

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

**Eliminations, Corporate Treasury and other reconciling items**

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

**Table of Contents**

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**Table of Contents****RECONCILIATION TO ADJUSTED EBITDA (CONTINUING OPERATIONS)**

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

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

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

For the fiscal years ended September 30, 2012, 2011 and 2010 (in millions of )

	Profit <sup>(1)</sup>			Income (loss) from investments accounted for using the equity method, net <sup>(2)</sup>			Financial income (expense), net <sup>(3)</sup>		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
<b>Sectors</b>									
<b>Energy Sector</b>	<b>2,159</b>	<b>4,230</b>	<b>3,043</b>	<b>87</b>	<b>75</b>	<b>80</b>	<b>39</b>	<b>827</b>	<b>(19)</b>
therein: Fossil Power Generation	1,933	2,837	1,449	41	33	27	67	823	(14)
Wind Power	304	357	398	6	(3)		(5)	(3)	(2)
Oil & Gas	218	467	455				(4)	(3)	(2)
Power Transmission	(302)	566	718	25	35	36	(20)	10	
<b>Healthcare Sector</b>	<b>1,815</b>	<b>1,334</b>	<b>653</b>	<b>8</b>	<b>9</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>20</b>
therein: Diagnostics	314	300	(804)			(9)	9	5	7
<b>Industry Sector</b>	<b>2,467</b>	<b>2,752</b>	<b>1,761</b>	<b>12</b>	<b>19</b>	<b>(2)</b>	<b>(15)</b>	<b>(2)</b>	
therein: Industry Automation	1,335	1,411	801	2	8	(2)	(8)	(1)	2
Drive Technologies	970	1,158	798	10	7		(6)	(1)	(1)
<b>Infrastructure &amp; Cities Sector</b>	<b>1,102</b>	<b>1,126</b>	<b>1,286</b>	<b>25</b>	<b>18</b>	<b>20</b>	<b>29</b>	<b>(28)</b>	<b>(16)</b>
therein: Transportation & Logistics	236	365	421	15	11	5	(16)	(7)	(13)
Power Grid Solutions & Products	457	413	461	9	7	12	(4)	(4)	(1)
Building Technologies	379	364	406	1	1	3	(2)	(1)	(1)
<b>Total Sectors</b>	<b>7,543</b>	<b>9,442</b>	<b>6,744</b>	<b>133</b>	<b>121</b>	<b>101</b>	<b>55</b>	<b>800</b>	<b>(14)</b>
<b>Equity Investments</b>	<b>(549)</b>	<b>(26)</b>	<b>(191)</b>	<b>(568)</b>	<b>(44)</b>	<b>(248)</b>	<b>7</b>	<b>13</b>	<b>35</b>
<b>Financial Services (SFS)</b>	<b>479</b>	<b>428</b>	<b>443</b>	<b>168</b>	<b>92</b>	<b>130</b>	<b>385</b>	<b>299</b>	<b>268</b>
<b>Reconciliation to Consolidated Financial Statements</b>									
Centrally managed portfolio activities	(29)	(40)	(169)	7	12	14			4
Siemens Real Estate (SRE)	115	150	250				(112)	(82)	(47)
Corporate items and pensions	(302)	(257)	(702)				29	94	(144)
Eliminations, Corporate Treasury and other reconciling items	23	(90)	(331)	(5)	29	20	137	10	(196)
<b>Siemens</b>	<b>7,279</b>	<b>9,608</b>	<b>6,045</b>	<b>(266)</b>	<b>210</b>	<b>16</b>	<b>501</b>	<b>1,133</b>	<b>(95)</b>

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

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- (2) Includes impairments and reversals of impairments of investments accounted for using the equity method.
- (3) Includes impairment of non-current available-for-sale financial assets. For Siemens, Financial income (expense), net comprises Interest income, Interest expense and Other financial income (expense), net as reported in the Consolidated Statements of Income.
- (4) Adjusted EBIT is Income from continuing operations before income taxes less Financial income (expense), net and Income (loss) from investments accounted for using the equity method, net.
- (5) Amortization and impairments, net of reversals, of intangible assets other than goodwill.
- (6) Depreciation and impairments of property, plant and equipment, net of reversals. Includes impairments of goodwill of      million,      million and 1.145 billion for the fiscal years 2012, 2011 and 2010, respectively.



**Table of Contents**

(Continued)

Adjusted EBIT <sup>(4)</sup>			Amortization <sup>(5)</sup>			Depreciation and impairments of property, plant and equipment and goodwill <sup>(6)</sup>			Adjusted EBITDA			Adjusted EBITDA margin		
2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
<b>2,033</b>	<b>3,327</b>	<b>2,982</b>	<b>97</b>	<b>60</b>	<b>61</b>	<b>426</b>	<b>343</b>	<b>312</b>	<b>2,557</b>	<b>3,730</b>	<b>3,354</b>	<b>9.3%</b>	<b>15.1%</b>	<b>14.8%</b>
1,825	1,981	1,436	21	15	16	142	125	123	1,988	2,121	1,575			
303	364	400	27	9	7	100	63	48	430	435	456			
222	470	457	38	26	26	71	63	58	330	560	541			
(308)	520	682	11	10	11	109	87	77	(187)	617	771			
<b>1,804</b>	<b>1,322</b>	<b>630</b>	<b>377</b>	<b>320</b>	<b>317</b>	<b>349</b>	<b>324</b>	<b>1,538</b>	<b>2,530</b>	<b>1,967</b>	<b>2,484</b>	<b>18.5%</b>	<b>15.7%</b>	<b>20.1%</b>
305	295	(802)	232	188	200	226	219	1,422	763	702	820			
<b>2,469</b>	<b>2,735</b>	<b>1,763</b>	<b>268</b>	<b>249</b>	<b>254</b>	<b>323</b>	<b>309</b>	<b>300</b>	<b>3,060</b>	<b>3,292</b>	<b>2,317</b>	<b>14.9%</b>	<b>16.8%</b>	<b>13.3%</b>
1,340	1,403	800	209	193	199	137	129	123	1,687	1,725	1,122			
966	1,152	800	48	45	45	172	163	154	1,187	1,360	999			
<b>1,048</b>	<b>1,136</b>	<b>1,282</b>	<b>112</b>	<b>115</b>	<b>102</b>	<b>165</b>	<b>163</b>	<b>173</b>	<b>1,324</b>	<b>1,414</b>	<b>1,557</b>	<b>7.5%</b>	<b>8.3%</b>	<b>9.4%</b>
236	361	429	13	15	15	46	44	47	296	421	490			
452	409	450	39	41	29	71	71	73	562	521	553			
381	365	404	60	58	57	47	48	53	488	471	514			
<b>7,355</b>	<b>8,521</b>	<b>6,657</b>	<b>854</b>	<b>744</b>	<b>734</b>	<b>1,262</b>	<b>1,139</b>	<b>2,321</b>	<b>9,471</b>	<b>10,404</b>	<b>9,712</b>			
<b>12</b>	<b>5</b>	<b>22</b>							<b>12</b>	<b>5</b>	<b>22</b>			
(73)	37	46	7	9	7	264	256	326	197	303	380			
(36)	(52)	(187)	4	3	2	2	4	10	(31)	(44)	(176)			
227	232	298	2	2	2	325	271	294	553	504	594			
(331)	(350)	(557)	16	12	24	51	47	51	(264)	(290)	(483)			
(109)	(129)	(155)				(41)	(50)	(59)	(151)	(179)	(213)			
<b>7,043</b>	<b>8,264</b>	<b>6,124</b>	<b>882</b>	<b>770</b>	<b>769</b>	<b>1,862</b>	<b>1,667</b>	<b>2,944</b>	<b>9,788</b>	<b>10,701</b>	<b>9,837</b>			

## **Table of Contents**

### **LIQUIDITY AND CAPITAL RESOURCES**

#### **PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT**

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

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

#### **Liquidity management**

Our principal source of financing is cash inflows from operating activities. Corporate Treasury generally manages cash and cash equivalents for Siemens and has primary responsibility for raising funds in the capital markets for Siemens through various debt products, with the exception of countries with conflicting capital market controls. The relevant consolidated subsidiaries in these countries obtain financing primarily from local banks. Siemens follows a prudent borrowing policy that is aimed towards a balanced financing portfolio, a diversified maturity profile and a comfortable liquidity cushion. On September 30, 2012, Siemens held 10.891 billion in cash and cash equivalents, mainly in euro, which were predominantly managed by Corporate Treasury. Especially since the beginning of the global financial markets crisis, Siemens monitors funding options available in the capital markets, trends in the availability of funds and the cost of such funding very closely to evaluate possible strategies regarding its financial and risk profile.

Corporate Treasury enters into reverse repurchase agreements with financial institutions with investment grade credit ratings. Siemens holds securities as collateral under these agreements via a third party (Euroclear) and is permitted to sell or re-pledge the securities. The extent to which Siemens engages in transactions involving reverse repurchase agreements depends on its liquidity management needs and the availability of cash and cash equivalents which varies from time to time. For further information on reverse purchase agreements see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 30.

#### **Cash management**

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

#### **Financial risk management**

Investments of cash and cash equivalents are subject to credit requirements and counterparty limits. Corporate Treasury pools and centrally manages Siemens interest rate, certain commodity and currency risk exposures and uses financial derivative instruments in transactions with external financial institutions to offset such concentrated exposures. Especially since the beginning of the global financial market crisis, Siemens monitors counterparty risk in its financial assets and financial derivative instruments very closely. For more detailed information about financial risk management at Siemens see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 32.

#### **Management of pension plan funding**

Siemens funding policy for its pension funds is part of its overall commitment to sound financial management, which includes a continuous analysis of the structure of its pension liabilities. For more detailed

**Table of Contents**

information about Siemens' pension plan funding see Item 5: Operating and financial review and prospects. Liquidity and capital resources. Capital resources and requirements. Funding of pension plans and similar commitments.

**Capital structure management and credit rating**

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

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

	Moody's	S&P
Long-term debt	Aa3	A+
Short-term debt	P-1	A-1+

On June 5, 2012 Moody's raised its long-term Siemens' credit rating from A1 to Aa3. The rating classification Aa is the second highest rating within Moody's debt ratings category. The numerical modifier 3 indicates a ranking in the lower end of that rating category. At the same time Moody's revised its outlook for our credit rating from positive to stable. The Moody's rating outlook is an opinion regarding the likely direction of an issuer's rating over the medium-term. Rating outlooks of Moody's fall into the following six categories: positive, negative, stable, developing, ratings under review and no outlook. Moody's announced that the rating action was prompted by the higher levels of profitability and cash flow leverage that the company has been able to achieve over the past few years, and Moody's assessment that these levels are likely to be sustainable through economic cycles, including the current period of economic weakness in Europe.

Moody's rating for our short-term corporate credit and commercial paper is P-1, the highest available rating in the prime rating system, which assesses issuers' ability to honor senior financial obligations and contracts. It applies to senior unsecured obligations with an original maturity of less than one year. On June 5, 2012 Moody's affirmed our P-1 short-term rating.

On November 14, 2012, S&P revised its outlook for Siemens' credit rating from positive to stable. At the same time, S&P affirmed the A+ long-term corporate rating and the A-1+ short-term rating, which is the highest short-term rating within the S&P's short-term rating scale.

The outlook revision to stable captures the contraction of operating margin during fiscal 2012 as well as Siemens' pursuit of more shareholder friendly actions in the form of a share buyback and a revision of the shareholder distribution policy from 30% - 50% payout range to 40% - 60% including share buybacks. Within S&P's long-term credit rating definitions A+ has the third highest long-term rating category. The modifier + indicates that our long-term debt ranks in the upper end of the A+ category. A rating outlook indicates the potential direction of a long-term credit rating over the medium-term. Rating outlooks of S&P fall into the following four categories: positive, negative, stable and developing.

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

We believe that our high credit rating for our long-term debt applied by Moody's and S&P allows us to raise funds in the capital markets with attractive conditions or to obtain flexible financing from banks. A high credit rating generally leads to lower credit spreads and therefore our rating also positively affects our funding costs. We expect no impact on our funding costs as a consequence of the revised rating outlook by S&P on November 14, 2012.

**Table of Contents**

Security ratings are not a recommendation to buy, sell or hold securities. Credit ratings may be subject to revision or withdrawal by the rating agencies at any time and each rating should be evaluated independently of any other rating.

**CAPITAL STRUCTURE**

Given the favorable capital market conditions at the end of fiscal 2012, Siemens announced in August 2012 that it would adjust its capital structure through share buybacks amounting to up to 3 billion by December 30, 2012. The shares repurchased may be used for the purposes of cancellation and reduction of capital stock, issuance to employees, board members of affiliated companies and members of the Managing Board as well as to meet obligations arising under and in connection with convertible bonds and warrant bonds. In fiscal 2012, the Company repurchased 23,202,500 treasury shares at a weighted average share price of 76.14. Additionally, the Managing Board decided to cancel 33,203,421 treasury shares, which reduced common stock from 914 million shares to 881 million shares. After the end of fiscal 2012 Siemens repurchased additional 14,746,786 treasury shares at a weighted average price of 78.14 and completed this share buyback program in November 2012.

In September 2012, Siemens issued 1.4 billion and £1.0 billion ( 1.3 billion) in fixed-rate instruments, which were partly used to finance this share buyback program.

Considering the above mentioned transactions and the changes in equity and debt described in Item 5: Operating and financial review and prospects Net assets position, the capital structure changed as follows:

	2012	Year ended September 30, 2011	% Change
	(in millions of )		
<b>Total equity attributable to shareholders of Siemens AG</b>	<b>30,733</b>	<b>31,530</b>	<b>(3)%</b>
As percentage of total capital	60%	64%	
Short-term debt and current maturities of long-term debt	3,826	3,660	
Long-term debt	16,880	14,280	
<b>Total debt</b>	<b>20,707</b>	<b>17,940</b>	<b>15%</b>
As percentage of total capital	40%	36%	
<b>Total capital (total equity and total debt)</b>	<b>51,440</b>	<b>49,470</b>	<b>4%</b>

We have commitments to sell or otherwise issue common shares in connection with established share-based compensation plans. In fiscal 2012, commitments for share-based compensation were fulfilled through treasury shares. In fiscal 2013, we may again fulfill commitments for share-based compensation through treasury shares. Amongst other purposes mentioned above we may therefore repurchase additional treasury shares in fiscal 2013. For additional information with respect to share-based compensation see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 33.

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

**Table of Contents**

	Year ended September 30,	
	2012	2011
	(in millions of )	
Short-term debt and current maturities of long-term debt <sup>(1)</sup>	3,826	3,660
Plus: Long-term debt <sup>(1)</sup>	16,880	14,280
Less: Cash and cash equivalents	(10,891)	(12,468)
Less: Current available-for-sale financial assets	(524)	(477)
<b>Net debt</b>	<b>9,292</b>	<b>4,995</b>
Less: SFS Debt <sup>(2)</sup>	(14,558)	(12,075)
Plus: Pension plans and similar commitments <sup>(3)</sup>	9,926	7,307
Plus: Credit guarantees	326	591
Less: 50% nominal amount hybrid bond <sup>(4)</sup>	(920)	(883)
Less: Fair value hedge accounting adjustment <sup>(5)</sup>	(1,670)	(1,470)
<b>Adjusted industrial net debt</b>	<b>2,396</b>	<b>(1,534)</b>
<b>Adjusted EBITDA (continuing operations)</b>	<b>9,788</b>	<b>10,701</b>
<b>Adjusted industrial net debt / adjusted EBITDA (continuing operations)</b>	<b>0.24</b>	<b>(0.14)</b>

- (1) The item Short-term debt and current maturities of long-term debt as well as the item Long-term debt included in total fair value hedge accounting adjustments of 1,670 million and 1,470 million for the fiscal year ended September 30, 2012 and 2011, respectively.
- (2) The adjustment considers that both Moody's and S&P view SFS as a captive finance company. These rating agencies generally recognize and accept higher levels of debt attributable to captive finance subsidiaries in determining credit ratings. Following this concept, we exclude SFS Debt in order to derive an adjusted industrial net debt which is not affected by SFS's financing activities.
- (3) To reflect Siemens' total pension liability, adjusted industrial net debt includes line item Pension plans and similar commitments as presented in Item 18: Financial Statements Consolidated Statements of Financial Position.
- (4) The adjustment for our hybrid bond considers the calculation of this financial ratio applied by rating agencies to classify 50% of our hybrid bond as equity and 50% as debt. This assignment reflects the characteristics of our hybrid bond such as a long maturity date and subordination to all senior and debt obligations.
- (5) Debt is generally reported with a value representing approximately the amount to be repaid. However for debt designated in a hedging relationship (fair value hedges), this amount is adjusted by changes in market value mainly due to changes in interest rates. Accordingly we deduct these changes in market value in order to end up with an amount of debt that approximately will be repaid. We believe this is a more meaningful figure for the calculation presented above. For further information on fair value hedges see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 31.

**CASH FLOWS FISCAL 2012 COMPARED TO FISCAL 2011**

The following discussion presents an analysis of our cash flows from operating, investing and financing activities for fiscal 2012 and 2011 for both continuing and discontinued operations. Discontinued operations include primarily OSRAM and Siemens IT Solutions and Services, which were classified as discontinued operations during the second quarter of fiscal 2011, and the solar business, which was classified as discontinued operations during the fourth quarter of fiscal 2012. Siemens IT Solutions and Services was sold to AtoS in the fourth quarter of fiscal 2011.

We report Free cash flow as a supplemental liquidity measure, which is defined as net cash provided by (used in) operating activities less cash used for additions to intangible assets and property, plant and equipment. We believe that the presentation of Free cash flow provides useful information to investors because it gives an indication of the long-term cash-generating ability of our business and our ability to pay for discretionary and non-discretionary expenditures not included in the measure, such as dividends, debt repayment or acquisitions. We also use

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Free cash flow to compare cash generation among the segments of our business. Free cash flow should not be considered in isolation or as an alternative to measures of cash flow calculated in accordance with IFRS. For further information about the usefulness and limitations of this measure, see Item 5: Operating and financial review and prospects Supplemental financial measures.

**Table of Contents**

	Continuing operations		Discontinued operations		Continuing and discontinued operations	
	2012	2011	Year ended September 30, (in millions of )		2012	2011
<b>Cash flows</b>						
Net cash provided by (used in):						
<b>Operating activities</b>	<b>6,996</b>	<b>8,081</b>	<b>(24)</b>	<b>(314)</b>	<b>6,972</b>	<b>7,767</b>
<b>Investing activities</b>	<b>(5,034)</b>	<b>(2,739)</b>	<b>(650)</b>	<b>(1,305)</b>	<b>(5,685)</b>	<b>(4,044)</b>
<i>therein: Additions to intangible assets and property, plant and equipment</i>	<i>(2,206)</i>	<i>(2,163)</i>	<i>(204)</i>	<i>(454)</i>	<i>(2,410)</i>	<i>(2,617)</i>
<b>Free cash flow<sup>(1)</sup></b>	<b>4,790</b>	<b>5,918</b>	<b>(228)</b>	<b>(768)</b>	<b>4,562</b>	<b>5,150</b>
<b>Financing activities</b>	<b>(3,591)</b>	<b>(7,062)</b>	<b>674</b>	<b>1,619</b>	<b>(2,916)</b>	<b>(5,443)</b>

(1) The closest comparable financial measure of Free cash flow under IFRS is Net cash provided by (used in) operating activities. Net cash provided by (used in) operating activities from continuing operations as well as from continuing and discontinued operations is reported in Item 18: Financial Statements Consolidated Statements of Cash Flow. Other companies that report Free cash flow may define and calculate this measure differently.

**Cash flows from operating activities** Continuing operations provided net cash of 6.996 billion in fiscal 2012, compared to net cash provided of 8.081 billion in the same period a year earlier. In the current period income from continuing operations was 5.184 billion. Therein included were amortization, depreciation and impairments of 2.744 billion. A build-up of operating net working capital reduced the cash inflows by 0.7 billion. The increase in operating net working capital was due mainly to a decrease in billings in excess of costs and estimated earnings on uncompleted contracts and related advances primarily in the Energy Sector due in part to lower orders year-over-year. The current period also included cash outflows of approximately 0.3 billion related to the revaluation of the commercial feasibility of Healthcare's particle therapy business for general patient treatment as well as Healthcare's Agenda 2013 initiative. In the prior-year period income from continuing operations was 7.376 billion. Therein included were amortization, depreciation and impairments of 2.437 billion. Income from continuing operations also included the Areva NP disposal gain of 1.520 billion, partly offset by the negative impact of 682 million related to an adverse arbitration decision associated with Siemens' decision to exit its nuclear power joint venture with Areva, which was deducted in the Consolidated Statements of Cash Flow within the line item (Gains) losses on sales of investments, net. A build-up of operating net working capital in the prior-year period reduced cash inflows near the level of fiscal 2012.

Discontinued operations used net cash of 24 million in fiscal 2012, compared to net cash used of 314 million in the prior-year period. The largest factor of the decrease in cash outflows year-over-year was lower cash outflows related to Siemens IT Solutions and Services, which a year earlier included higher payments in connection with the establishment of Siemens IT Solutions and Services as a separate legal group, including for carve-out activities and personnel-related matters.

**Cash flows from investing activities** Net cash used in investing activities for continuing operations amounted to 5.034 billion in fiscal 2012 compared to net cash used of 2.739 billion in the prior-year period. The increase in cash outflows from investing activities was due mainly to lower proceeds from sales of investments, intangibles and property, plant and equipment of 1.355 billion; to higher acquisitions, net of cash acquired, of 1.011 billion; and to the higher build-up in receivables from financing activities of 317 million relating to SFS's asset growth strategy. Proceeds of 753 million in the current period from the sales of investments, intangibles and property, plant and equipment included the sale of our 25% interest in OAO Power Machines, held by the Energy Sector. In the prior-year period, proceeds from sales of investments, intangibles and property, plant and equipment provided net cash of 2.108 billion. This total included proceeds from the sale of investments of 1.587 billion, mainly related to the sale of our Areva NP stake for 1.7 billion in the second quarter of fiscal 2011, subsequently reduced by 0.7 billion in the third quarter of fiscal 2011 due to the arbitration decision mentioned earlier, and the sale of our 49% minority stake in KMW. Cash inflows for the prior-year period also included higher proceeds from real estate disposals at SRE. Acquisitions, net of cash acquired, increased to 1.314 billion from 303 million in the prior-year period, comprising several acquisitions of entities within the Sectors to optimize our business portfolio, including in the current period the acquisition of

**Table of Contents**

the Connectors and Measurements Division of Expro Holdings UK 3 Ltd. in the Energy Sector as mentioned earlier. The aggregate consideration of this acquisition, net of cash acquired, amounted to 461 million. In the current period, cash outflows for the purchase of investments of 234 million included the second installment payment in connection with our equity investment in A2SEA A/S, a supplier of installation services for the construction of offshore wind-farms. The equity investment is held by the Energy Sector. For comparison, purchase of investments of 724 million in the prior-year period included cash outflows relating mainly to 500 million in new equity, which we provided to NSN in exchange for preferred shares in order to further strengthen NSN's financial position and the first installment payment for our equity investment in A2SEA A/S.

Discontinued operations used net cash of 650 million in fiscal 2012, compared to net cash used of 1.305 billion in the prior-year period. These lower cash outflows related primarily to OSRAM, which a year earlier included payments related to the acquisition of Siteco. While both periods included cash outflows of a mid triple-digit million amount relating to Siemens IT Solutions and Services, these cash outflows were higher in fiscal 2011.

**Free cash flow** from continuing operations decreased year-over-year due primarily to cash flows from operating activities as discussed above.

**Cash flows from financing activities** Continuing operations used net cash of 3.591 billion in fiscal 2012, compared to net cash used of 7.062 billion in fiscal 2011. The decrease in net cash outflows in fiscal 2012 was due primarily to the proceeds from the issuance of long-term debt of 5.113 billion, including the issuance of US\$3.0 billion bonds with warrant units in February 2012 as well as the issuance of 1.4 billion and £1.0 billion in fixed-rate instruments in four tranches in September 2012. These cash inflows were partly offset by the repayment of long-term debt of 3.218 billion relating to the redemption of 1.55 billion in 5.25%-fixed-rate-instruments, 0.7 billion in floating rate assignable loans, US\$0.5 billion in floating rate notes and US\$0.75 billion in 5.5% notes. In fiscal 2012 we recorded also cash outflows of 1.721 billion relating to the repurchase of 23,202,500 treasury shares at a weighted average share price of 76.14. For comparison, the prior-year period included the redemption of 2.0 billion in 5.75% bonds, a payment of 1.0 billion related to the binding offer to purchase additional shares in order to increase our stake in our publicly listed Indian subsidiary Siemens Ltd. and higher cash outflows for financing discontinued operations. Both periods included cash outflows for dividends, which were 2.629 billion (for fiscal 2011) in fiscal 2012 compared to 2.356 billion (for fiscal 2010) in fiscal 2011.

**CASH FLOWS FISCAL 2011 COMPARED TO FISCAL 2010**

The following discussion presents an analysis of our cash flows for fiscal 2011 and 2010 for both continuing and discontinued operations. Discontinued operations include primarily OSRAM and Siemens IT Solutions and Services, which were classified as discontinued operations during the second quarter of fiscal 2011 and the solar business, which was classified as discontinued operations during the fourth quarter of fiscal 2012.

Cash flows	Continuing operations		Discontinued operations		Continuing and discontinued operations	
	2011	2010	Year ended September 30, (in millions of )		2011	2010
Net cash provided by (used in):						
<b>Operating activities</b>	<b>8,081</b>	<b>9,055</b>	<b>(314)</b>	<b>294</b>	<b>7,767</b>	<b>9,349</b>
<b>Investing activities</b>	<b>(2,739)</b>	<b>(2,010)</b>	<b>(1,305)</b>	<b>(837)</b>	<b>(4,044)</b>	<b>(2,847)</b>
<i>therein: Additions to intangible assets and property, plant and equipment</i>	<i>(2,163)</i>	<i>(1,939)</i>	<i>(454)</i>	<i>(397)</i>	<i>(2,617)</i>	<i>(2,336)</i>
<b>Free cash flow</b>	<b>5,918</b>	<b>7,116</b>	<b>(768)</b>	<b>(103)</b>	<b>5,150</b>	<b>7,013</b>
<b>Financing activities</b>	<b>(7,062)</b>	<b>(3,189)</b>	<b>1,619</b>	<b>543</b>	<b>(5,443)</b>	<b>(2,646)</b>

**Cash flows from operating activities** Continuing operations provided net cash of 8.081 billion in fiscal 2011, compared to net cash provided of 9.055 billion in fiscal 2010. The decrease in cash flow from operating



**Table of Contents**

activities was due primarily to an increase in net working capital in Total Sectors associated with growth partly offset by cash inflows driven by an increase in Siemens profit supported by an increase of 40% in Total Sectors profit. The major factor within operating net working capital was an increased build-up in inventories, primarily in the Energy Sector. For comparison, operating net working capital in the Total Sectors decreased a year earlier. Fiscal 2011 included cash outflows for personnel-related expenses of 0.3 billion in connection with the previously disclosed special remuneration for non-management employees. For comparison, fiscal 2010 included higher cash outflows related to staff reduction measures. Lower income taxes paid in fiscal 2011 were more than compensated by lower dividends received which related mainly to our investment in BSH and higher pension funding relating to our pension plans and similar commitments compared to the prior year.

Discontinued operations used net cash of 314 million in fiscal 2011, compared to net cash provided of 294 million a year earlier. Fiscal 2011 included primarily cash outflows related to establishing Siemens IT Solutions and Services as a separate legal group, including for carve-out activities and personnel-related matters partly offset by cash inflows from OSRAM's operating activities.

**Cash flows from investing activities** Net cash used in investing activities for continuing operations amounted to 2.739 billion in fiscal 2011 compared to net cash used of 2.010 billion in fiscal 2010. Higher cash outflows were due mainly to cash outflows of 1.770 billion in fiscal 2011 for the increase in receivables from financing activities. In the fourth quarter of fiscal 2011, SFS announced a growth strategy which includes even stronger support for the operating businesses of Siemens, leading to higher net cash outflows at the end of the fourth quarter of fiscal 2011 due primarily to the growth in the commercial finance as well as project and structured finance business at SFS. Higher purchases of investments in fiscal 2011 of 724 million primarily included cash outflows relating to the 500 million in new equity, which we provided to NSN in exchange for preferred shares in order to further strengthen NSN's financial position as well as the first installment payment for our equity investment in A2SEA A/S, a supplier of offshore wind-farm installation services. These higher cash outflows were partly offset by higher proceeds from sales of investments, intangibles and property, plant and equipment, which rose to 2.108 billion from 585 million in the prior-year period. Sales of investments of 1.587 billion in fiscal 2011 primarily included proceeds of 1.7 billion from the sale of our stake in Areva NP S.A.S. in the second quarter of fiscal 2011, subsequently reduced by 0.7 billion in the third quarter of fiscal 2011 due to the arbitration decision as mentioned earlier. Proceeds from sales of investment, intangibles and property, plant and equipment also included the sale of our 49% minority stake in KMW and higher proceeds from real estate disposals at SRE than a year earlier. Cash outflows for acquisitions, net of cash acquired, of 303 million in fiscal 2011 relate primarily to several acquisitions of entities within Total Sectors to optimize our business portfolio.

Discontinued operations used net cash of 1.305 billion in investing activities in fiscal 2011, compared to net cash used of 837 million a year earlier. Fiscal 2011 included additions to intangible assets and property, plant and equipment mainly at OSRAM, as well as payments of 249 million related to OSRAM's acquisition of Siteco, a supplier of urban infrastructure lighting. Additional cash outflows of 0.4 billion related to the disposal of Siemens IT Solutions and Services, including the effects resulting from the transfer and the contribution of plan assets into separate pension plans in fiscal 2011. Fiscal 2010 included cash outflows of 265 million for the acquisition of Solel Solar Systems, a concentrated solar power company.

**Free cash flow** from continuing operations amounted to a positive 5.918 billion in fiscal 2011, compared to a positive 7.116 billion a year earlier. The change year-over-year was due primarily to the decrease in net cash provided by operating activities as discussed above. Cash used for additions to intangible assets and property, plant and equipment increased from 1.939 billion in fiscal 2010 to 2.163 billion in fiscal 2011, due primarily to increased investments in the Industry Sector and at SRE, associated with its responsibility for uniform and comprehensive management of the real estate assets of Siemens worldwide.

**Cash flows from financing activities** Continuing operations used net cash of 7.062 billion in fiscal 2011, compared to net cash used of 3.189 billion a year earlier. The increase in cash outflows was due primarily to the redemption of 2.0 billion in 5.75% bonds that matured in July 2011, and a payment of 1.0 billion related to the binding offer to purchase additional shares in order to increase our stake in our publicly listed Indian subsidiary Siemens Ltd. from about 55% to a maximum of 75%. In addition dividends paid to shareholders (for

**Table of Contents**

fiscal 2010) in fiscal 2011 were 2.356 billion, up from 1.388 billion paid (for fiscal 2009) in fiscal 2010. These cash outflows were partly offset by cash inflows from changes in short-term debt and other financing activities of 227 million, due mainly to cash inflows related to the settlement of financial derivatives used to hedge currency exposure in our financing activities. For comparison cash outflows from changes in short-term debt and other financing activities of 725 million in fiscal 2010 included higher repayments of commercial paper and payments related to the settlement of financial derivatives used to hedge currency exposure in our financing activities.

In fiscal 2011 we recorded cash outflows of 1.603 billion for financing of discontinued operations, compared to cash outflows of 550 million a year earlier. Discontinued operations were financed principally from Corporate Treasury. The item Financing discontinued operations included these intercompany financing transactions.

**CAPITAL RESOURCES AND REQUIREMENTS**

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

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

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

	Year ended September 30,	
	2012	2011
	(in millions of €)	
Short-term debt and current maturities of long-term debt	3,826	3,660
Long-term debt	16,880	14,280
<b>Total debt</b>	<b>20,707</b>	<b>17,940</b>
Cash and cash equivalents	(10,891)	(12,468)
Available-for-sale financial assets (current)	(524)	(477)
<b>Total liquidity</b>	<b>(11,415)</b>	<b>(12,945)</b>
<b>Net debt<sup>(1)</sup></b>	<b>9,292</b>	<b>4,995</b>

- (1) We typically need a considerable portion of our cash and cash equivalents as well as current available-for-sale financial assets at any given time for purposes other than debt reduction. The deduction of these items from total debt in the calculation of Net debt therefore should not be understood to mean that these items are available exclusively for debt reduction at any given time. Net debt comprises items as stated on Item 18: Financial Statements Consolidated Statements of Financial Position.

## Table of Contents

The changes in Net debt from fiscal 2011 to 2012 may also be presented as follows:

**Commercial paper program** We have a US\$9.0 billion ( 7.0 billion) global multi-currency commercial paper program in place, which includes the ability to issue US\$-denominated extendible notes. In fiscal 2012 we issued commercial paper in varying amounts to fund our ongoing short-term capital requirements. Our issuances of commercial paper typically have a maturity of less than 90 days. As of September 30, 2012, we had no commercial paper outstanding. All commercial paper issued in fiscal 2012 was completely repaid within the year.

**Notes and bonds** We have a program for the issuance of debt instruments (debt issuance program, formerly called medium-term note program) of 15.0 billion in place which we update on a regular basis. The last update was made in May 2012. Under this program, we issued the following instruments:

In September 2012, we issued 1.4 billion and £1.0 billion in fixed-rate instruments in four tranches comprising 400 million in 0.375% instruments due in September 2014, 1.0 billion in 1.50% instruments due in March 2020, £350 million in 2.75% instruments due in September 2025 and £650 million in 3.75% instruments due in September 2042.

In February 2012, we issued US\$400 million in floating rate notes (three months London Interbank Offered Rate + 1.40%) due in February 2019.

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

In June 2008, we issued 3.4 billion in fixed-rate instruments in three tranches, comprising: 1.2 billion in 5.25% instruments due in December 2011, which were redeemed at face value on their maturity date; 1.0 billion in 5.375% instruments due in June 2014 and 1.2 billion in 5.625% instruments due in June 2018.

In August 2008, we increased two tranches of the 3.4 billion fixed-rate instruments by 750 million, including 350 million in 5.25% instruments due in December 2011, which were redeemed at face value on their maturity date and 400 million in 5.625% instruments due in June 2018.

**Table of Contents**

In March 2006, we issued US\$1.0 billion in notes in two tranches comprising US\$500 million in floating rate notes (three months London Interbank Offered Rate + 0.15%) due in March 2012, which were redeemed at face value on their maturity date and US\$500 million in 5.625% notes due in March 2016.

The nominal amount outstanding under the debt issuance program was 9.9 billion as of September 30, 2012.

In February 2012, Siemens issued US\$ bonds with warrant units in an aggregate principal amount of US\$3.0 billion in two tranches. The bonds due in August 2017 have a volume of US\$1.5 billion and a coupon of notional 1.05% per annum; the bonds due in August 2019 have a volume of US\$1.5 billion and a coupon of notional 1.65% per annum. The exercise price of the warrants was fixed at 137.5% of the reference price. On that basis, the exercise price amounts to 104.0018 per share. At issuance, one warrant will entitle its holder to receive 1,806.1496 Siemens AG shares. The warrants result in option rights relating to a total of about 21.7 million Siemens AG shares. The equivalent amount of these bonds outstanding as of September 30, 2012 was 2.3 billion.

In September 2006, we issued a subordinated hybrid bond in two tranches, a euro tranche of 900 million in 5.25% notes and a British pound tranche of £750 million in 6.125% notes, both tranches with a final legal maturity in September 2066. The company has a call option after ten years or thereafter. If the bond is not called, both tranches will become floating rate notes according to the conditions of the bond. The total nominal amount of our hybrid bond as of September 30, 2012 was 1.8 billion.

In August 2006, we issued notes totaling US\$5.0 billion. These notes were issued in four tranches comprising: US\$750 million in floating rate notes (three months London Interbank Offered Rate + 0.05%) due in August 2009, which were redeemed at face value at their maturity date; US\$750 million in 5.5% notes due in February 2012, which were redeemed at face value on their maturity date; US\$1.750 billion in 5.75% notes due in October 2016 and US\$1.750 billion in 6.125% notes due in August 2026. We may redeem, at any time, all or some of the fixed rate notes at the early redemption amount (call) according to the conditions of the notes. The nominal amount of these notes outstanding as of September 30, 2012 was 2.7 billion.

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

Both floating rate tranches were called in August 2011 and redeemed in December 2011 at face value.

**Credit facilities** We have three credit facilities at our disposal for general corporate purposes. Our credit facilities as of September 30, 2012, consisted of 7.5 billion in committed lines of credit. These facilities included:

a 4.0 billion undrawn syndicated multi-currency revolving credit facility provided by a syndicate of international banks with a 5 year tenor and two one-year extension options, which was signed in April 2012. It replaced a US\$5.0 billion syndicated multi-currency revolving credit facility, which expired in March 2012;

a 450 million bilateral undrawn revolving credit facility provided by a domestic bank expired in September 2012. This credit facility has been extended to September 2013;

a US\$4.0 billion syndicated multi-currency credit facility expiring August 2013 provided by a syndicate of international banks. This facility comprised a US\$1.0 billion (0.8 billion) term loan which was drawn in January 2007 and is due in August 2013 as well as an undrawn US\$3.0 billion (2.3 billion) revolving tranche.

As of September 30, 2012, 6.8 billion of these lines of credit remained unused.

## Table of Contents

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

As mentioned above Siemens AG maintains two lines of credit of 4 billion and US\$4 billion, respectively. These two lines of credit provide its lenders with a right of termination in the event that (1) Siemens AG becomes a subsidiary of another company or (2) a person or a group of persons acting in concert acquires control over Siemens AG by being able to exercise decisive influence over its activities (Art. 3 (2) of Council Regulation (EC) 139/2004). In addition, Siemens AG has a bilateral credit line at its disposal in the amount of 450 million as mentioned above which may be terminated by the lender if major changes in Siemens AG's corporate legal situation occur that jeopardize the orderly repayment of the credit.

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

Further information about our bonds and the other components of our debt as well as about the use of financial instruments for hedging purposes is provided in Item 18: Financial Statements Notes to Consolidated Financial Statements Notes 22 and 31.

**Investing activities in intangible assets and property, plant and equipment** Additions to intangible assets and property, plant and equipment from continuing operations increased from 2.163 billion in the prior year to 2.206 billion in fiscal 2012. The majority of the additions, 1.619 billion, took place in the Sectors. The remaining portion, 587 million related mainly to SRE associated with SRE's responsibility for uniform and comprehensive management of real estate of our company worldwide.

We directed significant portions of our additions to intangible assets and property, plant and equipment in fiscal 2012 to expand capacities in strategic growth markets, particularly including emerging markets; to safeguard or enhance market share; and to secure leadership or competitiveness in technology-driven growth markets. Energy's additions totaled 532 million. They included extension of capacities and facilities such as for the technology-driven wind power market, particularly in Europe, as well as improvement and expansion of market presence in Brazil, Russia, India and China (BRIC countries) at Power Transmission. Considerable amounts at Energy were also used at Fossil Power Generation, including for the rationalization of production processes with regard to technical equipment and machines. Healthcare additions totaled 354 million in fiscal 2012, including additions to intangibles such as licenses as well as developing and implementing software and IT solutions, mainly relating to the medical imaging, therapy systems and laboratory diagnostics businesses. Industry spent a large portion of its additions to intangible assets and property, plant and equipment of 442 million for the replacement of products and ramping up capacities, particularly at Industry Automation in China, and implementing additional productivity measures, particularly at Drive Technologies. Infrastructure & Cities spent the largest amount of its additions of 290 million at the Power Grid Solutions &

## Table of Contents

Products business, mainly for investments in innovations at Low and Medium Voltage. The Sector also invested significant amounts for strengthening its regional footprint in emerging markets and its position in fast-growing market segments.

The changes of additions to intangible assets and property, plant and equipment from fiscal 2011 to 2012 are as follows:

For continuing operations the ratio of the items Additions to intangibles assets and property, plant and equipment and Additions to assets held for rental in operating leases to depreciation and impairments of property, plant and equipment, net of reversals of impairments as well as amortization and impairments, net of reversals of impairments, of intangible assets other than goodwill was 94% for fiscal 2012.

**Dividend** At the Annual Shareholders Meeting scheduled for January 23, 2013, the Managing Board, in agreement with the Supervisory Board, will submit the following proposal to allocate the unappropriated net income of Siemens AG for the fiscal year ended September 30, 2012: distribution of a dividend of 3.00 on each no-par value share entitled to the dividend for fiscal year 2012 existing at the date of the Annual Shareholders Meeting, which in the aggregate amounts to an at present expected total distribution of approximately 2.5 billion.

**Other capital requirements** As expected, the current fiscal year included significant cash outflows relating to the divestment of Siemens IT Solutions and Services in fiscal 2011. We expect that this divestment will occasion further significant cash outflows in future periods that might reach a remaining mid triple-digit million amount in total.

As mentioned earlier, Siemens announced in August 2012 that it would adjust its capital structure through share buybacks amounting to up to 3 billion by December 30, 2012. In fiscal 2012 we recorded cash outflows of 1.721 billion relating to the repurchase of 23,202,500 treasury shares at a weighted average share price of 76.14. After the end of the fiscal 2012 we recorded additional cash outflows of 1.2 billion relating to the share buyback program.

Other capital requirements also include expected significant cash outflows in coming quarters relating to charges for program-related productivity measures in Sectors in connection with Siemens 2014, a company-wide program supporting our One Siemens framework for sustainable value creation.

**Table of Contents**

With our ability to generate positive operating cash flows, our total liquidity of 11.415 billion and our 6.8 billion in undrawn lines of credit and given our credit ratings at year-end we believe that we have sufficient flexibility to fund our capital requirements including scheduled debt service, regular capital spending, ongoing cash requirements from operating and SFS financing activities, dividend payments, pension plan funding and portfolio activities. Also in our opinion, our working capital is sufficient for the Company's present requirements.

**Contractual obligations**

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

The following table summarizes our contractual obligations as of September 30, 2012 that will result in future cash outflows:

	Total	Payments due by period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
		(in millions of €)			
Debt	20,707	3,826	1,940	7,325	7,615
Purchase obligations	20,519	14,097	3,256	1,650	1,515
Operating leases	3,167	812	1,043	543	770
<b>Total contractual obligations</b>	<b>44,392</b>	<b>18,735</b>	<b>6,239</b>	<b>9,519</b>	<b>9,899</b>

**Debt** As of September 30, 2012, Siemens had 20.707 billion of short- and long-term debt, of which 3.826 billion will become due within the next twelve months. Short-term debt includes current maturities of long-term debt, as well as loans from banks coming due within the next twelve months. Further information about the components of debt is given in Item 18: Financial Statements' Notes to Consolidated Financial Statements' Note 22.

Debt for Siemens as of September 30, 2012 consisted of the following:

	Short-term	Long-term	Total
	(in millions of €)		
Notes and bonds	2,018	16,194	18,212
Loans from banks	1,505	449	1,954
Other financial indebtedness	270	110	380
Obligations under finance leases	33	128	161
<b>Total debt</b>	<b>3,826</b>	<b>16,880</b>	<b>20,707</b>

**Purchase obligations** Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding and which specify all of the following items: (1) fixed or minimum quantities, (2) fixed, minimum or variable price provisions and (3) approximate timing of the transaction. As of September 30, 2012, Siemens had 20.519 billion in purchase obligations. These purchase obligations primarily related to agreements of our Sectors on the purchase of goods such as property plant and equipment, intangible assets, raw materials and supplies or to the purchase of services such as advertising or maintenance. These purchase obligations have not been recognized as liabilities or expenses as of September 30, 2012.

In December 2010, Siemens and AtoS signed an option agreement (written call option) which granted AtoS the right to acquire Siemens IT Solutions and Services. Closing of the transaction was on July 1, 2011. Related to the transaction is a seven-year outsourcing contract worth around 5.5 billion, under which AtoS will provide managed services and system integration to Siemens. The expected remaining cash outflows from the outsourcing contract are included in these purchase obligations. For further information on that transaction see Item 18: Financial Statements' Notes to Consolidated Financial Statements' Note 4.

**Operating leases** As of September 30, 2012, Siemens had a total of 3.167 billion in total future payment obligations under non-cancelable operating leases, mainly relating to SRE activities.



**Table of Contents**

**Other** Siemens is subject to asset retirement obligations related to certain items of property, plant and equipment. Such asset retirement obligations are primarily attributable to environmental clean-up costs related to remediation and environmental protection, which amounted to 1.224 billion as of September 30, 2012, and costs primarily associated with the removal of leasehold improvements at the end of the lease term of 58 million as of September 30, 2012. The environmental clean-up costs related to remediation and environmental protection liabilities have been accrued based on the estimated costs of decommissioning facilities for the production of uranium and mixed-oxide fuel elements in Hanau, Germany (Hanau facilities), as well as a nuclear research and service center in Karlstein, Germany (Karlstein facilities). For additional information with respect to asset retirement obligations, see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 24.

Our liquidity may be adversely affected in future periods by regular or special contributions to fund our pension plans and similar commitments. As of September 30, 2012, our liability for pension plans and similar commitments as recognized in the Consolidated Statements of Financial Positions amounted to 9.926 billion. However, the recognized liability may fluctuate significantly in future periods due to changes in assumptions, in particular the discount rate, rate of future compensation increases and pension progression. Actual developments may differ from assumptions due to changing market, economic and governmental regulatory conditions, thereby resulting in an increase or decrease of the liability. Employer contributions expected to be paid to the funded pension plans during fiscal 2013 are 625 million, including contributions due to contractual and legal obligations of approximately 0.3 billion. Additional contributions to our pension benefit plans may be made or contractually agreed at the discretion of our management after the end of the reporting period. In fiscal 2009, Siemens reached an agreement with the trustees of certain pension plans in the U.K., which may lead to contractually agreed contributions of up to approximately 0.8 billion in coming years. For additional information regarding contributions to the fund our pension plans and similar commitments, see Item 5: Operating and financial review and prospects Liquidity and capital resources Capital resources and requirements Funding of pension plans and similar commitments and Item 18: Financial Statements Notes to Consolidated Financial Statements Note 23.

For further information with respect to contractual obligations see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 32.

**Off-balance sheet arrangements**

**Guarantees** Siemens guarantees are principally credit guarantees and guarantees of third-party performance. As of September 30, 2012, the undiscounted maximum amount of potential future payments for guarantees was 8.205 billion, including guarantees relating to discontinued operations. Credit guarantees cover the financial obligations of third-parties in cases where Siemens is the vendor and/or contractual partner. In addition, Siemens provides credit guarantees generally as credit-line guarantees with variable utilization to joint ventures and associated and other companies accounted for using the equity method. Total credit guarantees were 635 million as of September 30, 2012. Furthermore, Siemens issues guarantees of third-party performance, which include performance bonds and guarantees of advanced payments in cases where Siemens is the general or subsidiary partner in a consortium. In the event of non-fulfillment of contractual obligations by the consortium partner(s), Siemens will be required to pay up to an agreed-upon maximum amount. Guarantees of third-party performance amounted to 1.566 billion as of September 30, 2012.

In fiscal 2007, The Federal Republic of Germany commissioned a consortium consisting of Siemens and IBM Deutschland GmbH (IBM) to modernize and operate the non-military information and communications technology of the German Federal Armed Forces (Bundeswehr). This project is called HERKULES. A project company, BWI Informationstechnik GmbH (BWI), will provide the services required by the terms of the contract. Siemens is a shareholder in the project company. The total contract value amounts to a maximum of approximately 6 billion. In connection with the consortium and execution of the contract between BWI and the Federal Republic of Germany in December 2006, Siemens issued several guarantees legally and economically connected to each other in favor of the Federal Republic of Germany and of the consortium member IBM. The guarantees ensure that BWI has sufficient resources to provide the required services and to fulfill its contractual obligations. Total future payments potentially required by Siemens amounted to 2.29 billion as of

## **Table of Contents**

September 30, 2012 and will be reduced by approximately 400 million per year over the remaining five-year contract period as of September 30, 2012. Yearly payments under these guarantees are limited to 400 million plus, if applicable, a maximum of 90 million in unused guarantees carried forward from the prior year.

Other guarantees amounted to 3.714 billion as of September 30, 2012 and included indemnifications issued in connection with dispositions of business entities. Such indemnifications, if customary to the relevant transactions, may protect the buyer from potential tax, legal and other risks in conjunction with the purchased business entity. Indemnifications primarily relate to NSN, disposed of in fiscal 2007, EN, disposed of in fiscal 2008, and to Siemens IT Solutions and Services, disposed of in fiscal 2011. In the event that it becomes probable that Siemens will be required to satisfy these guarantees, provisions are established. Such provisions are established in addition to the liabilities recognized for the non-contingent component of the guarantees.

**Capital commitments** As of September 30, 2012, the Company had commitments to make capital contributions to various companies of 211 million.

For additional information with respect to guarantees and our other commitments, see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 28.

### **Funding of pension plans and similar commitments**

As of September 30, 2012, the combined funded status of Siemens pension plans showed an underfunding of 9.0 billion, compared to an underfunding of 6.2 billion as of September 30, 2011. A significant increase in Siemens defined benefit obligation (DBO) was only partly offset by an increase in the fair value of Siemens funded pension plan assets.

The DBO of Siemens pension plans, which takes into account future compensation and pension increases, amounted to 33.0 billion on September 30, 2012, an increase of 5.9 billion from the DBO at the end of the prior fiscal year. The DBO increased primarily due to a decrease in the discount rate for domestic pension plans and almost all our foreign pension plans.

The fair value of Siemens funded pension plan assets as of September 30, 2012, was 24.1 billion, compared to 21.0 billion at the end of the prior fiscal year. The increase was mainly due to the actual return on plan assets, which for fiscal 2012 amounted to 3.2 billion, resulting from both fixed income and equity investments. This represents a 15.6% actual return. For comparison, the expected return recognized through profit or loss for fiscal 2012 amounted to 1.3 billion, which corresponds to 6.3%.

The funding policy for our pension plans is part of our overall commitment to sound financial management, which also includes ongoing analysis of the structure of its pension liabilities. To balance return and risk, we have developed a pension benefit risk management concept. We have identified that the prime risk is a decline in the plans funded status as a result of the adverse development of plan assets and/or defined benefit obligations. The prime risk quantifies the expected maximum decline in the plans funded status for a given confidence level over a given time horizon. We monitor our investments and our defined benefit obligations in order to measure such prime risk. A risk budget on the Group level forms the basis for determining of our investment strategy, i.e. the strategic allocation of plan assets among asset classes and the degree of hedging for interest rate risk. We regularly review both our risk budget and investment strategy with external experts from the international asset management and insurance industry to afford an integrated view of pension assets and pension liabilities. We select asset managers based on our quantitative and qualitative analysis, and then continually monitor their performance and risk both on a stand-alone basis, and in the broader portfolio context. We review the asset

**Table of Contents**

allocation of each plan in light of the duration of the related pension liabilities and analyze trends and events that may adversely affect asset values, so that we can initiate appropriate countermeasures at a very early stage.

We also regularly review the design of our pension plans. Historically, the majority of our pension plans have included significant defined benefits. However, in order to reduce exposure to certain risks associated with defined benefit plans, such as longevity, inflation, effects of compensation increases and other factors, we implemented new pension plans during the last several years in some of our important regional companies including those for Germany, the U.S. and the U.K. The benefits of these new plans are based predominantly on the contributions we make. They are still affected by longevity, inflation adjustments and compensation increases, but only to a minor extent. We expect to continue evaluating the need to implement similar plan designs in coming years, to better control future benefit obligations and related costs.

The combined funded status of Siemens' predominantly unfunded other post-employment benefit plans amounted to an underfunding of 0.7 billion as of September 30, 2012, compared to an underfunding of 0.8 billion at the end of the prior fiscal year. The underfunding decreased mainly due to a plan change of the main health care plan in the U.S. The group insurance program for a defined group of Siemens retirees is replaced by individual healthcare agreements between the affected beneficiaries and healthcare insurance providers, resulting in a one-time reduction of current and future contributions.

For more information on Siemens' pension plans, see Item 18: Financial Statements' Notes to Consolidated Financial Statements' Note 23.

**NET ASSETS POSITION**

During fiscal 2012, total assets increased to 108.282 billion, up from 104.243 billion the year before. Our total assets in fiscal 2012 were influenced by positive currency translation effects of 2.644 billion due mainly to the US\$. Within total assets of 108.282 billion, total assets related to SFS increased to 17.405 billion as of September 30, 2012 from 14.602 billion a year earlier, driven by the growth strategy at SFS. These amounts represented 16% of Siemens' total assets in fiscal 2012, compared to 14% in the prior year. Total current assets were 48% in fiscal 2012, compared to 50% in the prior year.

The following table shows current assets at the respective balance sheet dates:

	<b>Year ended September 30, 2012      2011 (in millions of )</b>	
Cash and cash equivalents	10,891	12,468
Available-for-sale financial assets	524	477
Trade and other receivables	15,220	14,847
Other current financial assets	2,901	2,628
Inventories	15,679	15,143
Income tax receivables	836	798
Other current assets	1,277	1,264
Assets classified as held for disposal	4,800	4,917
<b>Total current assets</b>	<b>52,129</b>	<b>52,542</b>

Cash and cash equivalents totaled 10.891 billion as of September 30, 2012. The decrease of 1.577 billion from the prior-year level was mainly due to net cash provided by operating activities of 6.972 billion, more than offset by net cash used in investing activities of 5.685 billion and net cash used in financing activities of 2.916 billion in fiscal 2012. For detailed information, see Item 5: Operating and financial review and prospects' Liquidity and capital resources' Cash flow' Fiscal 2012 compared to fiscal 2011.

The growth strategy at SFS was the primary factor in the increase year-over-year of 373 million in the line item Trade and other receivables and the increase of 273 million in the line item Other current financial assets.

**Table of Contents**

The increase of 536 million year-over-year in the line item Inventories was due primarily to higher inventories in Total Sectors. This factor was most notable in the Energy Sector driven by higher finished goods and products held for resale and in the Infrastructure & Cities Sector driven by an increase in costs and earnings in excess of billings on uncompleted contracts.

Assets classified as held for disposal decreased to 4.800 billion as of September 30, 2012 compared to 4.917 billion a year earlier. The decline year-over-year was due primarily to lower assets at OSRAM and the sale of our 25% interest in OAO Power Machines partly offset by an increase in assets relating to the solar business, which was classified as discontinued operations during the fourth quarter of fiscal 2012.

Long-term assets at the respective balance sheet dates were as follows:

	<b>Year ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
	<b>(in millions of )</b>	
Goodwill	17,069	15,706
Other intangible assets	4,595	4,444
Property, plant and equipment	10,763	10,477
Investments accounted for using the equity method	4,436	4,966
Other financial assets	14,666	12,126
Deferred tax assets	3,777	3,206
Other assets	846	776
<b>Total long-term assets</b>	<b>56,153</b>	<b>51,701</b>

Goodwill increased to 17.069 billion as of September 30, 2012 compared to 15.706 billion a year earlier. The increase in goodwill was due mainly to acquisitions and purchase accounting adjustments and to a lesser extent to currency translation differences. Acquisitions and purchase accounting adjustments included the acquisition of the Connectors and Measurements Division of Expro Holdings UK 3 Ltd in the Energy Sector, RuggedCom Inc. in the Industry Sector, the NEM B.V. business in the Energy Sector and eMeter Corporation in the Infrastructure & Cities Sector.

For information on additions to other intangible assets and property, plant and equipment see Item 5: Liquidity and capital resources Capital resources and requirements.

Investments accounted for using the equity method decreased year-over-year by 530 million. The main factor was a sharply higher equity investment loss related to our share in NSN year-over-year.

The line item Other financial assets increased to 14.666 billion as of September 30, 2012 compared to 12.126 billion a year earlier. The change was due primarily to higher loan receivables driven by the growth strategy at SFS, an increase in the non-current portion of the fair market values of financial derivatives used for our hedging activities and an increase in the market value of our shares in AtoS.

**Table of Contents**

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

	Year ended September 30,	
	2012	2011
	(in millions of )	
Short-term debt and current maturities of long-term debt	3,826	3,660
Trade payables	8,036	7,677
Other current financial liabilities	1,460	2,247
Current provisions	4,750	5,168
Income tax payables	2,204	2,032
Other current liabilities	20,306	21,020
Liabilities associated with assets classified as held for disposal	2,054	1,756
<b>Total current liabilities</b>	<b>42,637</b>	<b>43,560</b>
Long-term debt	16,880	14,280
Pension plans and similar commitments	9,926	7,307
Deferred tax liabilities	494	595
Provisions	3,908	3,654
Other financial liabilities	1,083	824
Other liabilities	2,052	1,867
<b>Total long-term liabilities</b>	<b>34,344</b>	<b>28,527</b>

Short-term debt and current maturities of long-term debt increased by 166 million compared to the end of the prior fiscal year. The main factor of the increase were the reclassifications of 2.0 billion in 4.125% instruments, due in February 2013, and of US\$1.0 billion term loan, due in August 2013, which was largely offset by redemptions, including 1.55 billion in 5.25% fixed-rate instruments, 0.7 billion in floating-rate assignable loans, US\$0.5 billion in floating-rate notes and US\$0.75 billion in 5.5% notes.

Trade payables increased to 8.036 billion as of September 30, 2012 compared to 7.677 billion a year earlier. The main factor in the increase was higher trade payables in the Energy Sector.

The decrease in the line item Other current financial liabilities to 1.460 billion as of September 30, 2012 from 2.247 billion in the prior-year is due mainly to a decrease in the current portion of the fair market values of financial derivatives used for our hedging activities and a decrease in miscellaneous liabilities, including liabilities relating to purchase price adjustments as well as purchase-price-related commitments in connection with the divestment of Siemens IT Solutions and Services.

Current provisions declined by 418 million compared to the prior year, which included substantial provisions related to particle therapy contracts in the Healthcare Sector and the divestment of Siemens IT Solutions and Services. Fiscal 2012 included an increase in provisions in the Energy Sector, primarily related to off-shore grid connection projects.

Other current liabilities decreased by 714 million compared to the prior year-end. The main factor was lower billings in excess of costs and estimated earnings on uncompleted contracts and related advances particularly in the Energy Sector.

Liabilities associated with assets classified as held for disposal increased to 2.054 billion as of September 30, 2012 from 1.756 billion in the prior year. The change year-over-year was due primarily to higher liabilities at OSRAM and the solar business, following its classification as discontinued operations as mentioned above.

Long-term debt increased by 2.601 billion due mainly to the issuance of US\$3.0 billion bonds with warrant units and the issuance of 1.4 billion and £1.0 billion in fixed-rate instruments in four tranches. These issuances were partly offset by the above-mentioned reclassification in the line item Short-term debt and current maturities of long-term debt.



**Table of Contents**

The line item Pension plans and similar commitments increased by 2.619 billion as of September 30, 2012, reflecting the increase in the underfunding of the funded status of Siemens pension plans as of September 30, 2012 to 9.0 billion, compared to 6.2 billion a year earlier.

The increase in the line item Provisions of 254 million year-over-year related primarily to an increase in the Energy Sector including provisions arising from project charges mentioned above and to liabilities relating to our Hanau and Karlstein facilities, partly offset by a decrease in provisions related to the divestment of Siemens IT Solutions and Services.

The line item Other financial liabilities increased by 258 million year-over-year mainly related to an acquisition with a minority shareholder, who was granted a put-option on the non-controlling interests.

Shareholders' equity and total assets were as follows:

	Year ended September 30,	
	2012	2011
	(in millions of )	
<b>Total equity attributable to shareholders of Siemens AG</b>	<b>30,733</b>	<b>31,530</b>
<i>Equity ratio</i>	28%	30%
Non-controlling interests	569	626
<b>Total assets</b>	<b>108,282</b>	<b>104,243</b>

Total equity attributable to shareholders of Siemens AG decreased from 31.530 billion at the end of fiscal 2011 to 30.733 billion at the end of fiscal 2012. In fiscal 2012, the main factors relating to the change in total equity attributable to shareholders of Siemens AG were: (1) Dividend payments of 2.629 billion (paid for fiscal 2011); (2) cancellation of 33,203,421 treasury shares, which reduced common stock from 914 million shares to 881 million shares; (3) repurchase of 23,202,500 treasury shares at a weighted average share price of 76.14; (4) net income attributable to shareholders of Siemens AG of 4.458 billion.

The line item Total equity attributable to shareholders of Siemens AG decreased by 797 million and total assets increased by 4.039 billion year-over-year, and as a result our equity ratio decreased to 28% as of September 30, 2012 compared to 30% in the prior-year.

For additional information on our net assets position, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

**European sovereign credit exposures** Due to the recent uncertainties with regard to European sovereign debt exposures we regularly monitor our credit exposures in particular to public and private sector debtors in Italy, Spain, Greece, Portugal and Ireland. These credit exposures include trade receivables from the sale of goods and services, receivables from finance leases and other financial assets. To evaluate these exposures we perform a credit rating for public and private sector debtors using different methods subject to centrally defined limits. For exposures to public sector debtors, which represented approximately a quarter of these exposures, we applied a specific policy: This policy provides that the rating applied to individual public sector customers cannot be better than the weakest of the sovereign ratings provided by Moody's, S&P's and Fitch for the respective country. Based on our ratings and our credit exposures to end customers or main contractors located in Italy, Spain, Greece, Portugal and Ireland, totaling a low single-digit billion amount as of September 30, 2012, we believe that Siemens is well-positioned to bear these risks.

**SUBSEQUENT EVENTS**

After the end of fiscal 2012, Siemens announced the acquisition of LMS International NV, Belgium, a leading provider of mechatronic simulation solutions. With the acquisition, which will be integrated in the Industry Sector's Industry Automation Division, Siemens intends to expand and complement the Industry Sector's product lifecycle management portfolio with mechatronic simulation and testing software. The purchase price amounts to approximately 680 million. The transaction is subject to approval by regulatory authorities. Closing is expected in the second quarter of fiscal 2013.

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## **Table of Contents**

Also after the end of fiscal 2012, Siemens announced that it plans to divest the business activities included in the Industry Sector's Water Technologies Business Unit, which as of September 30, 2012 was part of the Industry Automation Division. The Business Unit's offerings comprise solutions for municipal and industrial water purification and wastewater treatment.

In addition, after the end of fiscal 2012, Siemens signed an agreement to acquire Invensys Rail, the rail automation business of Invensys plc., U.K. (Invensys), which shall be integrated in the Infrastructure & Cities Sector's Mobility and Logistics Division. The purchase price amounts to approximately 2.2 billion. The transaction is subject to Invensys' shareholder approval, which is expected to be voted on at a General Meeting planned for December 2012. Furthermore, Invensys' lenders, the U.K. pension regulator and anti-trust authorities need to consent to the transaction. Closing of the transaction is expected in the third quarter of fiscal 2013.

Furthermore after the end of fiscal 2012, Siemens announced that it plans to divest the Infrastructure & Cities' Logistics and Airport Solutions Business Unit, which as of September 30, 2012 was part of the Mobility and Logistics Division. The Business Unit's offerings comprise products, solutions (including IT solutions) and services for cargo tracking and baggage handling and for postal automation including letter and parcel sorting.

## **REPORT ON EXPECTED DEVELOPMENTS**

### **WORLDWIDE ECONOMY**

According to predictions of IHS Global Insight, global GDP growth is expected to stabilize in 2013, but at 2.6% it would remain below its long-term trend rate of around 3.5%. The economic outlook is dampened mainly by the unstable situation in Europe, as the continuing stagnation of growth and financial uncertainty in this region cause headwinds for global demand and the global economy in general. Furthermore, automatic spending cuts and tax increases that could take effect in the U.S. at the beginning of 2013 ( "fiscal cliff" ) could have a major negative impact on the U.S. and the global economy. Moreover, geopolitical tensions in North Africa and the Middle East may lead to a surge in oil prices, which could further hamper global economic activity. On the upside, the global economy could gain support from expansive monetary measures in emerging markets and developed economies, especially the long-term bond-buying program (Quantitative Easing 3, or QE3) in the U.S. and the government bond purchase program (Outright Monetary Transactions, OMT) of the European Central Bank, and an increase in fiscal spending in China. Overall, GDP growth is expected to continue to be markedly higher in emerging markets than in industrialized countries.

**Europe's** economic performance is expected to remain sluggish in the years ahead, as the region's crisis countries will continue to suffer from high government debt levels, tight fiscal policies and high levels of unemployment. The weak economic development in the south is forecast to continue to dampen northern export economies such as Germany. Nevertheless, Germany should still be able to grow slightly due to strengthened domestic demand. In particular private consumption is expected to grow further due to low unemployment and solid growth in real wages. Exports could continue to contribute to growth despite the deep recessions in many Euro-area economies, because non-Eurozone countries are becoming more and more important for German exporters. The geopolitical development in the Middle East and Africa has a strong influence on oil prices and thus on costs in global supply chains. For example, sanctions including oil embargos against Iran and spillover effects of political turmoil in Syria could lead to higher oil prices and a slowdown of economic activity.

Within the **Americas**, much in the U.S. will depend on the handling of the fiscal cliff, which if it takes place would result in expiration of broad-based personal income tax cuts and implementation of federal spending cuts. These in turn could lead to a recession in the U.S. Some support for the economy will come from the Federal Reserve Bank. QE3, the decision of the Federal Reserve to make monthly purchases of mortgage-backed securities worth US\$40 billion, should lower longer-term interest rates and support investment spending and the real estate market in 2013. Latin America is expected to profit from reacceleration of growth in Brazil, which should benefit from the expansive monetary policy of the Brazilian Central Bank. Beyond that, Brazil's planned investments related to the upcoming World Cup in 2014 and the Olympic Games in 2016 should provide a strong fiscal stimulus.



## Table of Contents

In **Asia**, China and India continue to be major growth engines. The increase in government spending should help China's economy counteract the negative effect of low export demand. Growth in Asia is also supported by other fast-growing countries including Indonesia and Vietnam, whose production should expand by 5% to 6% in the coming years. The outlook for Japan is less optimistic. For 2013 growth will slow down again, as consumer spending is still subdued and deflation risk has increased again. India could benefit from its announced macroeconomic reform package. The Indian rupee, which lost 25% of its value between July 2011 and September 2012, stabilized after the announcement. The underdeveloped infrastructure of the country is still a major risk for industrial growth. Major grid failures due to a persistent energy supply-demand gap can severely hurt economic activity.

All in all, growth in global GDP is expected to gradually go back to the pre-crisis trend of around 3.5% in 2014. Nevertheless, the financial crisis in the advanced economies will have a lasting effect. For example, there remain significant downside risks of a new escalation of the European sovereign debt crisis. On the other hand, a fast resolution of the crisis could bring growth back to trend sooner than expected.

Gross fixed investments in real terms are expected to grow faster than GDP in both 2013 and 2014. On a global basis, IHS Global Insight is estimating 4.2% growth in gross fixed investments in 2013 and 5.7% growth in 2014. In both years the Asia, Australia and Americas regions are expected to achieve clear growth in gross fixed investments while the Europe, C.I.S., Africa, Middle East region is lagging behind, mainly due to low investment levels in Europe.

Manufacturing value added in real terms is also projected to grow somewhat faster than GDP. On a global basis, IHS Global Insight is estimating 3.7% growth in manufacturing value added in 2013 and 4.6% growth in 2014. Clear growth above the global average is expected in the Asia, Australia region. Growth in the Americas and Europe, C.I.S., Africa, Middle East, particularly in Europe, is expected to be markedly slower than in Asia, Australia.

The forecasts presented here for gross domestic product, gross fixed investment and manufacturing value are based on a report from IHS Global Insight dated October 15, 2012. Siemens has not independently verified this data.

## **MARKET DEVELOPMENT**

We expect the growth of markets served by our **Energy** Sector to recover somewhat from the downturn in fiscal 2012 and to return to moderate growth in the fiscal years 2013 and 2014. On an overall basis, we expect generally strong demand from emerging markets, which continue to expand their power infrastructures, and from developed economies, which need to modernize their aging energy infrastructures and have committed to implementing environment-friendly energy policies. Overall, the global market development for Energy depends to a large degree on resolution of the sovereign debt crisis in a number of developed countries. Nevertheless, for fiscal year 2013 we expect the fossil power generation market to return to prior levels. For the wind onshore market we expect a flat development, with the regions Europe, C.I.S., Africa, Middle East and Asia, Australia offsetting a drop in demand in the U.S. Offshore wind markets are expected to regain growth momentum following slack demand in fiscal 2012. Price pressure is expected to remain very strong. The energy transmission markets are expected to grow moderately over the next two fiscal years.

For the next two fiscal years, we expect the healthcare markets in which our **Healthcare** Sector participates to expand moderately but below the long-term growth rates anticipated for this industry. Public healthcare systems have been under cost pressure for some time, and this situation is likely to continue while governments address their high sovereign debt levels particularly in the U.S. and the Eurozone. In the U.S., a health care reform was enacted in the spring of 2010. In particular in connection with this reform, it is currently expected that an excise tax will be charged on certain medical devices from 2013 onwards. Siemens believes that this tax will impact all businesses except of Audiology. A continuing trend towards Accountable Care is driving provider consolidation and closer alignment between hospitals and physicians. Emerging markets will continue to be a growth driver, particularly China with double digit growth rates. In Europe we expect overall at best a flat market environment.

## Table of Contents

Due to an uncertain economic outlook, the **Industry** Sector expects that most of its customers will continue to invest cautiously in fiscal 2013. In the years ahead we expect markets, including those served by the Industry Automation Division and certain businesses within the Drive Technologies Division, to return to their long-term moderate growth rates. The exception is the still relatively small but dynamic market segment for industrial IT, which we expect to grow significantly faster. In emerging markets, we expect that Industry customers will continue to expand and modernize their production capabilities. In developed economies, we expect that our customers will focus on modernizing their production facilities, though the actual development of investments may differ by country and industrial market segment.

Worldwide markets for solutions provided by our **Infrastructure & Cities Sector** benefit from the long-term global trend towards urbanization. We expect the Sector's markets to grow moderately in fiscal 2013, including large infrastructure projects in rail systems. We anticipate that this will include balanced growth across our reporting regions in fiscal 2013. For fiscal 2014 we expect a slowdown in growth. While the Americas and Asia, Australia are expected to continue their moderate growth, demand in Europe, C.I.S., Africa, Middle East is expected to decline due mainly to a declining demand in Europe. We expect that growth in the rail transportation and logistics markets in fiscal 2013 will benefit from large rail projects, particularly in the Europe, C.I.S., Africa, Middle East region. We expect a lower number of large projects in fiscal 2014 and an associated slowdown in market growth. Overall, the development of the markets for products, solutions and services for rail transportation and logistics is largely driven by public spending. As customers in these markets usually have multi-year planning and implementation horizons, they tend to be independent of short-term economic trends. For the low and medium voltage and smart grid markets we anticipate slight growth in 2013 and somewhat faster growth in fiscal 2014. Despite continued demand for energy efficiency solutions, we expect growth in building and construction markets to slow down in fiscal 2013, with some improvement in 2014 particularly in the U.S.

Following its reorganization at the beginning of fiscal 2012, **SFS** business is geared even more to the Siemens Sectors and their markets and provides even stronger support to the operating business of Siemens. As such SFS is, among other factors, influenced by the overall business development of the markets served by the four Sectors.

## SIEMENS GROUP

### Results of operations

We are basing our outlook for the Siemens Group and its segments on the above-mentioned expectations regarding the overall economic situation and specific market conditions over the next two fiscal years. The outlook is based also on an exchange rate of US\$1.25 per €. We further expect that results for fiscal 2013 and particularly fiscal 2014 will be influenced by **Siemens 2014**, our company-wide program for improving profitability in our Sectors through cost reduction, strengthening core activities, improving our go-to-market setup, optimizing our corporate infrastructure, and simplifying our governance. Specific expectations related to **Siemens 2014** are detailed in the paragraphs below.

We expect that **revenue** in fiscal 2013 will approach the level reached in fiscal 2012 on an organic basis. We expect revenue development to benefit from conversion of our order backlog (defined as the sum of order backlogs of our Sectors) of €98 billion as of September 30, 2012. From this backlog we expect to convert approximately €41 billion of past orders into current revenue in fiscal 2013 and approximately €23 billion into revenue in fiscal 2014. Within these numbers for fiscal 2013, we expect approximately €21 billion in revenue conversion from the €55 billion backlog of the Energy Sector, approximately €10 billion in revenue conversion from the €24 billion backlog of Infrastructure & Cities, approximately €7 billion in revenue conversion from the €11 billion backlog of Industry and approximately €3 billion in revenue conversion from the €7 billion backlog of Healthcare. Based on an expected overall improvement in the markets served by our Sectors, we expect revenue to return to moderate growth in fiscal 2014. We also expect revenue from emerging markets, which accounted for 33% of total revenue in fiscal 2012, to grow faster than overall revenue in the coming two fiscal years.

We expect that the revenue growth rate for our Environmental Portfolio will be higher than for Siemens overall. In fiscal 2010, we set ourselves the goal to increase revenue from our Environmental Portfolio to more

**Table of Contents**

than 40 billion in fiscal 2014, up from 33 billion in fiscal 2012. Due to the planned disposals mentioned earlier, including OSRAM, the Water Technologies Business Unit, and our solar business, we believe it will be much more challenging to achieve this goal. For further information on the water and solar divestments, see Item 4: Information on the Company Description of business Industry and Energy, respectively.

The goal of the Siemens 2014 program mentioned above is to raise our Total Sectors profit margin to at least 12% by fiscal 2014. To achieve this goal, we are targeting productivity gains totaling approximately 6 billion over the next two fiscal years. In the area of cost reduction, we intend to derive approximately 3 billion from better integrating engineering, purchasing and production processes and overall material productivity; approximately 1 billion from further improving global capacity utilization and presence; and approximately 1 billion from improving efficiency and quality in production processes and project execution. The remaining portion of the productivity gains is spread over a number of smaller topics, including our go-to-market setup, worldwide infrastructure, and governance processes.

To achieve the targeted results, our Sectors are undertaking a broad range of measures expected to lead to charges totaling up to 1.5 billion over the next two fiscal years. We anticipate recording approximately 1.0 billion of these charges in fiscal 2013 and the balance in fiscal 2014. The Total Sectors profit margin target of at least 12% mentioned above takes into consideration a number of expectations for fiscal 2014, including: moderate revenue growth; all four sectors in their EBITDA margin ranges, due in part to the productivity gains described above; pricing pressure in the range of 2.5% to 3.0% per year; and moderate cost increases including wage developments. In addition, we expect that influences on profitability from acquisitions and disposals will be broadly offsetting over the next two fiscal years. We expect acquisitions to be highly accretive to profitability in the medium term.

For fiscal 2013, we expect **income from continuing operations** in the range from 4.5 to 5.0 billion, including the effect of early adoption of International Accounting Standard 19 Revised (IAS 19R). Based on our above-mentioned goal of a Total Sectors profit margin of at least 12% by fiscal 2014, we expect fiscal 2014 income from continuing operations to show strong improvement compared to fiscal 2013. This forecast excludes impacts related to legal and regulatory matters and significant portfolio effects.

Results of operations in fiscal 2013 will include adoption of IAS 19R. We anticipate that IAS 19R will significantly impact Income from continuing operations, due primarily to an increase in centrally carried pension expense within **Corporate items and pensions**. We adopted IAS 19R after the close of fiscal 2012, on a retrospective basis. On a preliminary basis, had IAS 19R been applied in fiscal 2012, the impact on Income from continuing operations for fiscal 2012 would have been approximately a negative 0.3 billion after tax, resulting in Income from continuing operations of approximately 4.9 billion for fiscal 2012. For fiscal 2013, we expect pension expense on a similar level compared to fiscal 2012, including the effect of IAS 19R in both years.

We are exposed to currency translation effects, involving the US\$, British £ and currencies of emerging markets such as China, India and Brazil. We expect volatility in global currency markets to continue in fiscal 2013. Given that Siemens is a net exporter from the Eurozone to the rest of world, a weak Euro is principally favorable for our business and a strong Euro is principally unfavorable. Through adaptation of our production facilities during the recent past, we have improved our natural hedge on a global basis. In addition, we have already systematically addressed the remaining currency risk in our export business activities for fiscal 2013, see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 31. We expect these steps to help to limit effects on income related to currency in fiscal 2013.

Our most important financial goal is capital efficiency, which we measure in terms of adjusted return on capital employed (**ROCE (adjusted)**). Due mainly to our expectations regarding the development of income from continuing operations, we expect ROCE (adjusted) on a continuing basis around the lower end of our target range of 15% to 20% in fiscal 2013, and in the upper half of the range in fiscal 2014. This expectation excludes significant portfolio effects, in particular potential acquisitions, which may substantially increase our capital employed and therefore reduce ROCE. For further information see Item 5: Operating and financial review and prospects Business and economic environment Financial performance measures.

We intend to continue providing an attractive return to shareholders. In the years ahead we intend to propose a dividend payout which, combined with outlays for share buybacks during the fiscal year, results in a sum

**Table of Contents**

representing 40% to 60% of Net income, which for this purpose we may adjust to exclude exceptional non-cash effects.

**Financial position**

We intend to remain conservative with regard to our financial position, including liquidity, in order to maintain operational and strategic flexibility. We expect **Free cash flow** from continuing operations in fiscal 2013 and 2014 to be burdened by substantial cash outflows related to the program-related charges included in our Siemens 2014 program as discussed above. For Free cash flow, we anticipate that the recent trend of somewhat lower prepayments will continue, as customers seek to maintain their liquidity. Along with these effects, we expect continued significant outflows for **investing activities** in the next two years. SFS intends to continue with its growth strategy focused on the business areas of our Sectors. Furthermore, we expect significant outflows for strengthening our core activities in connection with Siemens 2014. This already includes our previously announced acquisition of LMS for approximately 0.7 billion. For comparison, we spent 1.3 billion for acquisitions in fiscal 2012. Among the planned divestments mentioned above, the intended method of divesting OSRAM, through a spin-off of the majority of shares to shareholders in fiscal 2013, will have no cash impact on our financial position.

We intend to maintain our focus on net working capital management as an important factor within operating activities, and on investments in intangible and tangible assets within cash used in investing activities. For both net working capital and capital investments in intangible assets and property, plant and equipment, we take into account both the macroeconomic environment and our own order growth. We will retain our stringent approval process for capital investments, which goes up to the Managing Board. For further information, see Item 5: Operating and financial review and prospects Business and economic environment Liquidity and capital resources Capital resources and requirements.

In the area of **investment planning**, we expect to continue investing in our established markets, such as to safeguard market share and competitive advantages based on technological innovation. We will also continue investing in emerging markets, such as for increasing our capacities for designing, manufacturing and marketing new solutions within these markets. With regard to capital expenditures of our Sectors in property plant and equipment and intangible assets, we expect fiscal 2013 spending on the level of fiscal 2012.

Energy plans to invest mainly in innovation and in expanding its global footprint to secure organic growth and competitiveness by achieving cost leadership. These investments include further spending in the extension of capacities and facilities such as for the technology-driven wind power market, particularly in northern Europe. The Healthcare Sector continues to invest in property, plant and equipment and intangible assets including developing and implementing software and IT solutions relating mainly to the medical imaging, therapy systems and laboratory diagnostics businesses. The Industry Sector intends with its investments mostly to strengthen its regional footprint in emerging markets. This includes further investments in replacing products and ramping up capacities, particularly at Industry Automation in China, and implementing additional productivity measures, particularly at Drive Technologies. The Infrastructure & Cities Sector plans to strengthen its regional footprint in emerging markets and its position in fast-growing market segments. This includes innovation projects at low- and medium-voltage as well as investments related to larger projects at Rail Systems.

With our ability to generate positive operating cash flows, our total liquidity of 11.415 billion as of September 30, 2012, our 6.8 billion in undrawn lines of credit and our credit ratings at year-end, we believe that we have sufficient flexibility to fund our capital requirements including scheduled debt service, regular capital spending, ongoing cash requirements from operating and SFS financing activities, dividend payments, pension plan funding and portfolio activities. Also in our opinion, our working capital is sufficient for the Company's present requirements.

For the medium-term we set ourselves a target for our **capital structure**, defined as the ratio of adjusted industrial net debt to adjusted EBITDA. We seek to achieve a ratio in the range of 0.5 to 1.0. In fiscal 2012 we exercised the flexibility built into our capital structure for achieving other goals, including share buybacks, resulting in a ratio of 0.24. We expect to increase this ratio during the next two fiscal years.

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## Table of Contents

### SEGMENTS

As for the Group, our outlook for our segments is based on the above-mentioned expectations regarding the overall economic situation and specific market conditions over the next two fiscal years.

For fiscal 2013, we expect orders to increase on an organic basis year-over-year. We expect Total Sectors organic revenue in 2013 to approach the level reached in fiscal 2012. In particular, we expect a revenue decline in Energy due in part to order development in fiscal 2012, when the Sector's book-to-bill ratio was below one. We anticipate that a challenging market environment will continue to hold back revenue development in Industry. Revenue in fiscal 2013 is expected to rise slightly year-over-year in Healthcare and Infrastructure & Cities. While we expect Total Sectors organic revenue to return to moderate growth in fiscal 2014, this expectation is dependent particularly on businesses that are sensitive to short-term changes in the economic environment.

Overall, volume development in our Sectors in the next two fiscal years is expected to include pricing pressure, particularly in Healthcare and Energy. We expect pricing pressure in fiscal 2013 to be at a level similar to fiscal 2012.

We expect Total Sectors profit in fiscal 2013 to be impacted by the charges mentioned above related to the Siemens 2014 program, totaling approximately 1.0 billion. Including their respective portions of these charges, profit at Industry and Infrastructure & Cities is expected to decline year-over-year. We expect profit at Energy to increase year-over-year despite program-related charges, because the basis of comparison in fiscal 2012 includes substantial profit impacts related to large complex projects and a change in credit risk assessment for Iran. We expect that Healthcare will increase its profit year-over-year, despite further charges related to its Agenda 2013 initiative, in part because the Sector will benefit from the initiative's productivity measures which have been implemented from the beginning of fiscal 2012.

Looking ahead to fiscal 2014, we expect all four Sectors to increase their profit compared to fiscal 2012, as part of our intention to raise our Total Sectors profit margin to at least 12% by fiscal 2014. We anticipate that these results will be based mostly on the productivity improvements we intend to achieve with the Siemens 2014 program, combined with sharply lower program-related charges in fiscal 2014 compared to fiscal 2013.

As part of One Siemens, we have defined adjusted EBITDA margin corridors for the respective industries of our four Sectors, which the Sectors seek to achieve and maintain throughout the complete business cycle. For further information see Item 5: Operating and financial review and prospects Business and economic environment Financial performance measures. For Energy the margin corridor is 10% to 15%; for Healthcare the margin corridor is 15% to 20%; for Industry the margin corridor is 11% to 17%; and for Infrastructure & Cities the margin corridor is 8% to 12%. Despite the substantial charges we expect in fiscal 2013 related to the Siemens 2014 program, we expect that only Infrastructure & Cities will remain below its corridor in fiscal 2013. Based on anticipated productivity improvements, we expect all four Sectors to be within their EBITDA corridors by fiscal 2014.

We expect that **Equity Investments** will result in substantially lower losses in fiscal 2013 compared to fiscal 2012, which was impacted by charges largely related to the repositioning measures at NSN mentioned above. We expect these charges to be substantially lower in the next two years.

In the next two fiscal years, **SFS** intends to continue to expand its efforts to meet the growing demand for financial solutions, particularly with regard to the business-to-business area that involves both Siemens and external customers. Within One Siemens, the target range for return on equity or ROE (after tax) for SFS is 15% to 20%. We expect that SFS will continue to reach this range in both fiscal 2013 and 2014. With regard to profit (defined as income before income taxes), we anticipate that fiscal 2013 profit will be slightly below the level of fiscal 2012, which included a gain of 78 million on the sale of an investment.

We expect that **SRE** will continue with real estate disposals depending on market conditions, as it has in the past two years. We expect results from Corporate items and pensions in fiscal 2013 to be approximately a negative 1 billion.

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## **Table of Contents**

### **OVERALL ASSESSMENT**

In fiscal 2013, Siemens begins implementation of Siemens 2014, a company-wide program supporting our One Siemens framework for sustainable value creation. The goal of the program is to raise our Total Sectors profit margin to at least 12% by fiscal 2014.

In the first year of the program, we expect moderate order growth and revenue approaching the level of fiscal 2012, both on an organic basis. We expect income from continuing operations in the range from 4.5 to 5.0 billion, including the effect of retrospective adoption of IAS 19R. This includes charges totaling approximately 1.0 billion for program-related productivity measures in the Sectors, with the productivity gains realized in our results for fiscal 2014.

This outlook is based on a number of conditions, notably that revenue develops as expected particularly for businesses that are sensitive to short-term changes in the economic environment. Furthermore, it excludes impacts related to legal and regulatory matters and significant portfolio effects. Overall, the actual development for Siemens and its Segments may vary, positively or negatively from our expectations due to the risks and opportunities described elsewhere in this document. See Item 3: Key information Risk factors as well as Item 5: Operating and financial review and prospects Report on expected developments Opportunities. This report on expected developments should be read in conjunction with Forward-looking statements at the beginning of this document.

### **OPPORTUNITIES**

Within our comprehensive, interactive and management-oriented Enterprise Risk Management (ERM) approach that is integrated into the organization and that addresses both risks and opportunities, we regularly identify, evaluate and respond to opportunities that present themselves in our various fields of activity. While we describe our most significant opportunities below, those are not the only ones we encounter. In addition, our assessment of opportunities is subject to change as our Company, our markets and technologies are constantly developing. As a consequence, new opportunities may arise, existing opportunities may cease to be relevant, or the significance of an opportunity may change. Generally, opportunities are assessed to the best of our knowledge, considering certain assumptions, including market development, market potential of technologies or solutions, and anticipated developments in customer demand or prices, among other things. When opportunities materialize, they may have a lower effect than previously estimated on the basis of the underlying assumptions. It is also possible that opportunities we see today will never materialize.

**Through selective acquisitions, equity investments and partnerships we constantly strive to strengthen our leading technology position, open up additional potential markets or further develop our product portfolio:** We constantly monitor our current and future markets for opportunities for strategic acquisitions, equity investments or partnerships to complement organic growth. Such activities could help us to strengthen our market position in our existing markets, provide access to new markets or complement our technological portfolio in selected areas.

**We particularly see further opportunities in the above-average growth potential of emerging markets:** It is expected that in coming years emerging markets will continue to grow significantly faster than industrialized nations, led by strong growth in the BRIC countries Brazil, Russia, India and China as well as by growth opportunities in the second wave emerging markets like Chile, Indonesia, Mexico, Poland or Turkey. Within One Siemens, we want to take measures aimed at continuously increasing our share of revenue from emerging markets. We believe that developing the capability to design, manufacture and sell so-called SMART (simple, maintenance-friendly, affordable, reliable, and timely to market) products will provide us with opportunities to gain market share and enhance our local presence in these strategic growth markets. Adding further SMART products to our portfolio and developing stronger sales channels would enable us to increase our revenues by serving large and fast-growing regional markets, where customers may consider price more strongly than product features when making a purchase decision.

**Localizing value chain activities in low cost countries could further improve our cost position:** Localizing certain value chain activities, such as procurement, manufacturing, maintenance and service in

## Table of Contents

markets such as the BRIC countries and other emerging markets, as well as the Middle East could enable us to reduce costs and to strengthen our global competitive position, in particular compared to competitors based in countries with a more favorable cost structure.

**We constantly strive to develop new technologies, new products and solutions as well as to improve existing ones:** We invest in new technologies that we expect to meet future demands in accordance with the four strategic megatrends demographic change, urbanization, climate change and globalization (for further information see Item 4: Information on the Company Strategy Global megatrends. For instance, starting with fiscal 2012 we extended our solution portfolio in exploiting the future infrastructure spending of the customer group Cities by bundling our competencies and providing innovative and customized city concepts for the relevant city stakeholders in our Sector Infrastructure & Cities. In this area, we believe to have taken a competitive lead in servicing this client base. Our approach is based on a global network of city account managers allowing us to leverage the ability to replicate successful city solutions and the capability of delivering both unbundled and packaged city solutions by integrating one or all of the competencies of our different business areas.

**We are in the process of continuously developing and implementing initiatives to reduce costs, adjust capacities, improve our processes and streamline our portfolio:** In an intensified competitive market environment, a competitive cost structure complements the competitive advantage of being innovative. We believe that further improvements in our cost position strengthen our global competitive position and secure our market presence against emerging and incumbent competitors. For example, we expect to create sustainable value from productivity measures in the Sectors in connection with Siemens 2014, as mentioned earlier a company-wide program supporting our One Siemens framework.

**We have an opportunity to further grow in the area of environment and climate protection:** Many of the key areas of our research and development activities focus on products and solutions capable of strengthening and advancing our Environmental Portfolio. Our Environmental Portfolio comprises products and solutions with outstanding energy efficiency, systems and components for renewable forms of energy, and other environmental technologies. These products and solutions are intended to help our customers to reduce their carbon dioxide footprint, cut their energy costs and improve their profitability through increased productivity. We believe that public policy initiatives in many countries will lead to greater demand for such products and solutions in the years ahead, including from government stimulus programs. For further information, see Item 4: Information on the Company Environmental portfolio.

**We see potentials in utilizing cross-collaboration among our broad portfolio and global presence to offer more innovative and holistic solutions:** Our technological and market experience across our Sectors and Cluster enables us to leverage cross-divisional innovation or cross-regional solutions to address the specific needs of our customers. Complemented by our Financial Services organization and its portfolio we believe on further growth opportunities in our existing markets and possibilities to explore new market opportunities.

## CRITICAL ACCOUNTING ESTIMATES

Siemens Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and as adopted by the European Union (EU). Siemens significant accounting policies, as described in Item 18: Financial Statements Notes to Consolidated Financial Statements Note 2 are essential to understanding the Company's results of operations, financial positions and cash flows. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on the Company's results of operations, financial positions and cash flows. Critical accounting estimates could also involve estimates where management reasonably could have used a different estimate in the current accounting period. Management cautions that future events often vary from forecasts and that estimates routinely require adjustment.

**Revenue recognition on construction contracts** The Company's Sectors, particularly Energy, Industry and Infrastructure & Cities, conduct a significant portion of their business under construction contracts with

**Table of Contents**

customers. The Company generally accounts for construction projects using the percentage-of-completion method, recognizing revenue as performance on contract progresses. Certain long-term service contracts are accounted for under the percentage-of-completion method as well. This method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. Depending on the methodology to determine contract progress, the significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks, including technical, political and regulatory risks, and other judgments. Management of the operating Divisions continually reviews all estimates involved in such construction contracts, including commercial feasibility, and adjusts them as necessary. Under the percentage-of-completion method, such changes in estimates may lead to an increase or decrease of revenues in the respective reporting period. The Company also uses the percentage-of-completion method for projects financed directly or indirectly by Siemens. In order to qualify for such accounting, the credit quality of the customer must meet certain minimum parameters as evidenced by the customer's credit rating or by a credit analysis performed by Financial Services (SFS). At a minimum, a customer's credit rating must be single B or B2 respectively from external rating agencies or an equivalent SFS-determined rating. In cases the inflow of economic benefits is not probable due to customer related credit risks the revenue is restricted to the amount of payments irrevocably received. The Company believes the credit factors used provide a reasonable basis for assessing credit quality.

**Trade and other receivables** The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends including the developments of the European sovereign debt crisis and analysis of historical bad debts on a portfolio basis. For the determination of the country-specific component of the individual allowance, we also consider country credit ratings, which are centrally determined based on information from external rating agencies. Regarding the determination of the valuation allowance derived from a portfolio-based analysis of historical bad debts, a decline of receivables in volume results in a corresponding reduction of such provisions and vice versa. As of September 30, 2012 and 2011, Siemens recorded a total valuation allowance for trade and other receivables of 1,190 million and 1,147 million, respectively.

**Impairment** Siemens tests at least annually whether goodwill has incurred any impairment, in accordance with its accounting policy. The determination of the recoverable amount of a cash-generating unit or a group of cash-generating units to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced e.g. by the successful integration of acquired entities, volatility of capital markets, interest rate developments, foreign exchange rate fluctuations and the outlook on economic trends. The recoverable amount is the higher of the cash-generating unit's or the group of cash-generating units' fair value less costs to sell and its value in use. The Company generally uses discounted cash flow based methods to determine these values. These discounted cash flow calculations use five-year projections that are based on financial plannings. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates, weighted average cost of capital and tax rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. In fiscal 2011, the Company assessed the current commercial feasibility of its solar and hydro business, the level at which goodwill is monitored from the group perspective, as part of the Renewable Energy Division of the Energy Sector and recorded a goodwill impairment loss. Further impairments were recorded in fiscal 2012. These impairments are presented in discontinued operation. In fiscal 2010, a goodwill impairment of 1,145 million was recognized in the Diagnostics Division of the Healthcare Sector.

Likewise, whenever property, plant and equipment, other intangible assets and investments accounted for using the equity method are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.



**Table of Contents**

The equity method requires an analysis of triggering events for impairment or reversal of impairment. Whether future impairments or a reversal of the impairment of our investment in Nokia Siemens Networks B.V. (NSN) will be required is dependent on its ability to grow and (or) otherwise return to increasing profitability.

**Non-current assets and disposal groups classified as held for disposal** Assets held for disposal and disposal groups are measured at the lower of their carrying amount and their fair value less costs to sell. The determination of the fair value less costs to sell includes the use of management estimates and assumptions that tend to be uncertain.

In the fourth quarter of fiscal 2012, Siemens decided to sell its solar business consisting of the Business Units Solar Thermal Energy and Photovoltaics. As of the end of fiscal 2012, Siemens classified each business unit as held for disposal and discontinued operation as a sale within one year was considered highly probable by the management.

In June 2012, Siemens classified OSRAM as held for disposal and discontinued operations as a listing via spin-off within one year was considered highly probable. This expectation is based on management's judgment considering the obligatory shareholder approval based on past experience with other capital matters suggested for approval at the general shareholders' meeting, feedback from the financial market and the economic rationale of the decision from a shareholder perspective.

In fiscal 2011, the disposal group Siemens IT Solutions and Services was measured at fair value less costs to sell upon classification as held for disposal and discontinued operation. The fair value was assumed to be represented by the purchase price as negotiated between Siemens and Atos S.A. (AtoS) including the consideration that AtoS committed itself to pay for the transfer of Siemens IT Solutions and Services less commitments entered into by Siemens. The valuation of these commitments involves subjective judgment by management on the probability, timing and amount of these obligations. These management estimates had an effect on the amount of impairment losses recognized during fiscal 2011 and on the deconsolidation result recognized in the fourth quarter of fiscal 2011 as well as on the subsequent measurement of the obligations in fiscal 2012. These estimates are subject to change and thus any variation to the estimates could influence the amount of the total loss on the disposal of Siemens IT Solutions and Services presented within discontinued operations beyond fiscal 2011.

**Employee benefit accounting** Pension plans and similar commitments Obligations for pension and other post-employment benefits and related net periodic benefit costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates, expected return on plan assets, expected salary increases, mortality rates and health care trend rates. The discount rate assumptions are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available discount rates are based on government bonds yields. Expected returns on plan assets assumptions are determined on a uniform methodology, considering long-term historical returns and asset allocations. Due to changing market and economic conditions the underlying key assumptions may differ from actual developments and may lead to significant changes in pension and other post-employment benefit obligations. Such differences are recognized in full directly in equity in the period in which they occur without affecting profit or loss. For a sensitivity analysis, see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 23.

**Provisions** Significant estimates are involved in the determination of provisions related to onerous contracts, warranty costs, asset retirement obligations and legal proceedings. A significant portion of the business of certain operating divisions is performed pursuant to long-term contracts, often for large projects, in Germany and abroad, awarded on a competitive bidding basis. Siemens records a provision for onerous sales contracts when current estimates of total contract costs exceed expected contract revenue. Such estimates are subject to change based on new information as projects progress toward completion. Onerous sales contracts are identified by monitoring the progress of the project and updating the estimate of total contract costs which also requires significant judgment relating to achieving certain performance standards, for example in the Mobility & Logistics Division, Industry Automation Division, at Healthcare, in the Fossil Power Generation Division and in the Power Transmission Division as well as estimates involving warranty costs and estimates regarding project delays including the assessment of responsibility splits between the contract partners for these delays. Significant

## **Table of Contents**

estimates and assumptions are also involved in the determination of provisions related to major asset retirement obligations. Uncertainties surrounding the amount to be recognized include, for example, the estimated costs of decommissioning because of the long time frame over which future cash outflows are expected to occur including the respective interest accretion. Amongst others, the estimated cash outflows could alter significantly if, and when, political developments affect the government's plans to develop the final storage.

Siemens is subject to legal and regulatory proceedings in various jurisdictions. Such proceedings may result in criminal or civil sanctions, penalties or disgorgements against the Company. If it is more likely than not that an obligation of the Company exists and will result in an outflow of resources, a provision is recorded if the amount of the obligation can be reliably estimated. Regulatory and legal proceedings as well as government investigations often involve complex legal issues and are subject to substantial uncertainties. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the end of the reporting period, whether it is more likely than not that such a proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. The Company periodically reviews the status of these proceedings with both inside and outside counsel. These judgments are subject to change as new information becomes available. The required amount of a provision may change in the future due to new developments in the particular matter. Revisions to estimates may significantly impact future net income. Upon resolution, Siemens may incur charges in excess of the recorded provisions for such matters. It cannot be excluded, that the financial position or results of operations of Siemens will be materially affected by an unfavorable outcome of legal or regulatory proceedings or government investigations.

**Income taxes** Siemens operates in various tax jurisdictions and therefore has to determine tax positions under respective local tax laws and tax authorities' views which can be complex and subject to different interpretations of taxpayers and local tax authorities. Deferred tax assets are recognized if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities. As of each period-end, management evaluates the recoverability of deferred tax assets, based on projected future taxable profits. As future developments are uncertain and partly beyond management's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption. If management considers it probable that all or a portion of a deferred tax asset cannot be realized, a corresponding valuation allowance is taken into account.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

For information on recent accounting pronouncements and their impact on the Consolidated Financial Statements see Item 18: Financial Statements' Notes to Consolidated Financial Statements' Note 2.

## **SUPPLEMENTAL FINANCIAL MEASURES**

To supplement Siemens' Consolidated Financial Statements presented in accordance with International Financial Reporting Standards, or IFRS, Siemens presents the following financial measures that are designed to measure growth, capital efficiency, cash and profit generation and optimization of Siemens' capital structure:

New orders and order backlog;

Adjusted or organic growth rates of revenue and new orders;

Book-to-bill ratio;

Total Sectors profit;

Return on equity (after tax), or ROE (after tax);

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Return on capital employed (adjusted), or ROCE (adjusted);

Free cash flow, or FCF;

Adjusted EBITDA, adjusted EBIT and adjusted EBITDA margins;

115

## **Table of Contents**

Earnings effect from purchase price allocation, or PPA effects;

Net debt; and

Adjusted industrial net debt.

These supplemental financial measures are or may be non-GAAP financial measures, as defined in the rules of the U.S. Securities and Exchange Commission, or SEC. They may exclude or include amounts that are included or excluded, as applicable, in the calculation of the most directly comparable financial measures calculated in accordance with IFRS, and their usefulness is therefore subject to limitations, which are described below for each measure. Accordingly, they should not be viewed in isolation or as alternatives to the most directly comparable financial measures calculated in accordance with IFRS, as identified in the following discussion, and they should be considered in conjunction with Siemens Consolidated Financial Statements presented in accordance with IFRS and the Notes thereto.

In addition, in considering these supplemental financial measures, investors should bear in mind that other companies that report or describe similarly titled financial measures may calculate them differently. Accordingly, investors should exercise appropriate caution in comparing these supplemental financial measures to similarly titled financial measures reported by other companies.

The following discussion provides:

the definitions of these supplemental financial measures;

the most directly comparable IFRS supplemental financial measures;

information regarding the usefulness of these supplemental financial measures;

limitations on the usefulness of these supplemental financial measures; and

quantitative reconciliations of these supplemental financial measures to the most directly comparable IFRS financial measures.

Amounts presented in reconciliations are generally taken from the Consolidated Financial Statements and the Notes to Consolidated Financial Statements. Siemens encourages investors to review the following information carefully.

### **NEW ORDERS AND ORDER BACKLOG**

#### **Definition, most directly comparable IFRS financial measures and usefulness**

Under its policy for the recognition of new orders, Siemens generally recognizes the total contract amount for a new order when we enter into a contract that we consider legally effective and compulsory based on a number of different criteria. The contract amount is the agreed price or fee for that portion of the contract for which the delivery of goods and/or the provision of services has been irrevocably agreed. Future revenues from service, maintenance and outsourcing contracts are recognized as new orders in the amount of the total contract value only if there is adequate assurance that the contract will remain in effect for its entire duration (e.g., due to high exit barriers for the customer). New orders are generally recognized immediately when the relevant contract is considered legally effective and compulsory. The only exceptions are orders with short overall contract terms. In this case, a separate reporting of new orders would provide no significant additional information regarding our performance. For orders of this type, the recognition of new orders thus occurs when the corresponding revenue is recognized. There is no comparable IFRS financial measure for new orders. We believe that new orders represent an indicator for the future revenues of our Company.

Order backlog is calculated by adding the new orders of the current fiscal year to the balance of the order backlog as of the end of the prior fiscal year and by subtracting the revenue recognized in the current fiscal year. If the amount of an order already recognized in the current or the

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previous fiscal years is modified or if an order from the current fiscal year is cancelled, Siemens adjusts its new orders for the current quarter and also its order backlog accordingly, but does not retroactively adjust previously published new orders. However, if an order

## **Table of Contents**

from a previous fiscal year is cancelled, new orders of the current quarter and, accordingly, the current fiscal year are generally not adjusted, instead, the existing order backlog is revised directly. Aside from cancellations, the order backlog is also subject to portfolio effects and to currency translation effects. There is no comparable IFRS financial measure for order backlog. Order backlog represents an indicator for the future revenues of our Company resulting from already recognized new orders.

### **Limitations on the usefulness**

There is no standard system for compiling and calculating new orders and order backlog information that applies across companies. Accordingly Siemens' new orders and order backlog may not be comparable with new orders and order backlog measures as reported by other companies. Siemens subjects its new orders and its order backlog to internal documentation and review requirements. Siemens may change its policies for recognizing new orders and order backlog in the future without previous notice.

New orders reporting for the current period may include adjustments to new orders added in previous quarters of the current fiscal year and prior fiscal years (except for cancellations). Order backlog is based on firm commitments which may be cancelled in future periods.

### **Quantitative reconciliation**

There is no comparable IFRS financial measure. Therefore, a quantitative reconciliation of new orders and order back log is not provided.

### **ADJUSTED OR ORGANIC GROWTH RATES OF REVENUE AND NEW ORDERS**

#### **Definition, most directly comparable IFRS financial measures and usefulness**

Siemens presents, on a worldwide basis and for Sectors and Divisions, the percentage change from period to period in revenue and new orders as adjusted for currency translation effects and portfolio effects. The adjusted percentage changes are called adjusted or organic growth rates.

Siemens presents its Consolidated Financial Statements in euros; however, a significant proportion of the operations of its Sectors and Divisions are conducted in a functional currency other than the euro and is therefore subject to foreign currency translation effects. Converting amounts from these currencies into euros affects the comparability of Siemens' results and financial position when the exchange rates for these currencies fluctuate. Some businesses are significantly affected due to the large proportion of international operations, particularly in the U.S. In addition, the effect of acquisitions and dispositions on Siemens' consolidated revenues affects the comparability of the Consolidated Financial Statements between different periods.

The adjusted or organic growth rates of revenue and new orders, are calculated by subtracting currency translation effects and portfolio effects from the relevant actual growth rates. The currency translation effects are calculated as (1) (a) revenues or new orders for the current period, based on the currency exchange rate of the current period minus (b) revenues or new orders for the current period, based on the currency exchange rate of the comparative period, divided by (2) revenues or new orders for the previous period, based on the currency exchange rate of the comparative period. The portfolio effects are calculated, in the case of acquisitions, as the percentage change in revenues or new orders attributable to the acquired business and, in the case of dispositions, as the percentage change in revenues or new orders on the assumption that the disposed business had not been part of Siemens in the previous period. Portfolio effects are always considered in the calculation of adjusted or organic growth rates for a period of twelve months. Siemens makes portfolio adjustments for certain carve-in and carve-out transactions, as well as for other minor transactions and reclassifications in the segments. The IFRS financial measure most directly comparable to the adjusted or organic growth rate of revenue is the unadjusted growth rate calculated based on the actual revenue figures presented in the Consolidated Financial Statements. There is no comparable IFRS financial measure for the adjusted or organic growth rate of new orders.

## **Table of Contents**

Siemens believes that the presentation of an adjusted or organic growth rate of revenue and new orders provides useful information to investors because a meaningful analysis of trends in revenue and new orders from one period to the next requires comparable data and therefore an understanding of the developments in the operational business net of the impact of currency translation and portfolio effects. Siemens management considers adjusted or organic rates of growth in its management of Siemens' business. For this reason, Siemens believes that investors' ability to assess Siemens' overall performance may be improved by disclosure of this information.

### **Limitations on the usefulness**

Adjusted or organic growth rates of revenue and new orders are not adjusted for other effects, such as increases or decreases in prices or quantity/volume.

### **Quantitative reconciliation**

For a quantitative reconciliation of adjusted or organic growth rates of revenue and new orders to unadjusted growth rates of revenue and new orders, refer to the relevant tables within Item 5: Operating and financial review and prospects.

## **BOOK-TO-BILL RATIO**

### **Definition, most directly comparable IFRS financial measures and usefulness**

The book-to-bill ratio measures the relationship between orders received and the billed amounts of products shipped and services rendered. The book-to-bill ratio is neither required nor defined by IFRS therefore there is no comparable IFRS financial measure. A book-to-bill ratio of above 1 indicates that more orders were received than billed, indicating stronger demand, whereas a book-to-bill ratio of below 1 points to weaker demand.

### **Limitations on the usefulness**

The usefulness of the book-to-bill ratio is inherently limited by the fact that it is a ratio and thus does not provide information as to the absolute number of orders received by Siemens or the absolute amount of products and services shipped and billed by it.

### **Quantitative reconciliation**

When we provide the book-to-bill ratio we generally provide new orders and revenue which are used for the calculation. The calculation is new orders divided by revenues. For book-to-bill ratio refer to the relevant tables within Item 5: Operating and financial review and prospects.

## **TOTAL SECTORS PROFIT**

### **Definition, most directly comparable IFRS financial measures and usefulness**

Siemens uses Total Sectors profit to measure the sum of profit of the four Sectors Energy, Healthcare, Industry and Infrastructure & Cities. Profit of the Sectors is earnings before financing interest, certain pension costs and income taxes. Certain other items not considered indicative of performance by management may be excluded. Profit or loss for each reportable segment is the measure reviewed by the chief operating decision maker in accordance with IFRS 8, Operating segments. The IFRS financial measure most directly comparable to Total Sectors profit is Income from continuing operations before income taxes.

Siemens believes that investors' ability to assess Siemens' overall performance may be improved by disclosure of Total Sectors profit as a measure of the operational performance of the four Sectors representing the core industrial activities of Siemens.

## **Table of Contents**

### **Limitations on the usefulness**

Profit of Equity Investments, SFS, Centrally managed portfolio activities, Siemens Real Estate, Corporate items and pensions as well as of Eliminations, Corporate Treasury and other reconciling items can have a material impact on Siemens Income from continuing operations in any given period. In addition, Total Sectors profit does not eliminate profit earned by one Sector on intragroup transactions with another Sector.

### **Quantitative reconciliation**

Total Sectors profit is reconciled to Income from continuing operations before income taxes in Item 18: Financial Statements Notes to Consolidated Financial Statements Segment information. For a reconciliation of Income from continuing operations before income taxes to Income from continuing operations, see the Consolidated Statements of Income.

### **RETURN ON EQUITY (AFTER TAX)**

#### **Definition, most directly comparable IFRS financial measures and usefulness**

In line with common practice in the financial services industry, Financial Services (SFS) uses ROE (after tax) as one of its key profitability measures. Under One Siemens, our framework for sustainable value creation, we define ROE (after tax) as SFS profit after tax (annualized for purposes of interim reporting), divided by SFS average allocated equity. SFS profit as reported in the Segment information is defined as Income before income taxes (IBIT). For purposes of calculating ROE (after tax), however, the relevant income taxes are calculated on a simplified basis, by applying an assumed flat tax rate of 30% to SFS profit, excluding Income (loss) from investments accounted for using the equity method, net which is generally net of tax already, and tax-free income components and other components which have already been taxed, or are generally tax free, or which serve as an adjustment for material taxable Income (loss) from investments accounted for using the equity method, net. The allocated equity for SFS is mainly determined and influenced by the size and quality of its portfolio of commercial finance assets (primarily leases and loans) and equity investments. This allocation is designed to cover the risks of the underlying business and is in line with common credit risk management standards. The actual risk of the SFS portfolio is evaluated and controlled on a regular basis. The allocated equity is calculated quarterly. The most directly comparable IFRS financial measure for ROE (after tax) is SFS profit as reported in the Segment information.

ROE (after tax) is reported only for the SFS segment. It is used by management as a supplement in evaluating the business performance of SFS. Therefore Siemens believes that the presentation of ROE (after tax) provides useful information to investors.

### **Limitations on the usefulness**

Profit of SFS (IBIT) as defined and as reported in the Notes to Consolidated Financial Statements may exclude certain items not considered indicative of performance by management. The relevant income taxes used to derive SFS profit after tax (used in the numerator) are calculated by applying an assumed flat tax rate to IBIT. As a portion of the IBIT is tax free, certain IBIT components are deducted before applying the flat tax rate. For feasibility purposes, the tax free portion of IBIT is determined based on a simplified methodology, i.e., not all of the tax free IBIT components are treated as such. Accordingly, the effective amount of income taxes payable differs from the amount calculated by means of this simplified procedure. In addition, the use of ROE (after tax) is inherently limited by the fact that it is a ratio and thus does not provide information as to the absolute amount of SFS income.



**Table of Contents****Quantitative reconciliation**

	Year ended September 30,	
	2012	2011
	(in millions of €)	
<b>Calculation of income taxes of Financial Services (SFS)</b>		
Profit of SFS (IBIT)	479	428
Less/Plus: Income/loss from investments accounted for using the equity method, net of SFS <sup>(1)</sup>	(168)	(92)
Less: Tax-free income components and others <sup>(2)</sup>	57	(16)
Tax basis	368	319
Tax rate (flat)	30%	30%
<b>Calculated income taxes of SFS</b>	<b>110</b>	<b>96</b>
<b>Profit after tax of SFS</b>		
Profit of SFS (IBIT).	479	428
Less: Calculated income taxes of SFS	(110)	(96)
<b>Profit after tax of SFS.</b>	<b>368</b>	<b>332</b>
<b>ROE (after tax) of SFS</b>		
(I) Profit after tax of SFS	368	332
(II) Average allocated equity of SFS <sup>(3)</sup>	1,681	1,468
<b>(I)/(II) ROE (after tax) of SFS</b>	<b>21.9%</b>	<b>22.6%</b>

(1) For information on Income (loss) from investments accounted for using the equity method, net, of SFS, see Item 5: Operating and financial review and prospects Reconciliation to adjusted EBITDA (continuing operations).

(2) Tax-free income components include forms of financing which are generally exempted from income taxes. Others comprise result components related to the (partial) sale/divestment of equity investments, which are reclassified from at equity to available-for-sale financial assets and are therefore not included in the (Income) loss from investments accounted for using the equity method, net of SFS. Such results are already taxed or generally tax free. Others may also comprise an adjustment for material taxable Income (loss) from investments accounted for using the equity method, net of SFS.

(3) Average allocated equity of SFS for a fiscal year is determined as a five-point average in allocated equity of SFS of the respective quarters starting with the allocated equity of SFS as of September 30 of the previous fiscal year.

We are unable to prepare a reconciliation to our announced ROE (after tax) range for 2013 and 2014 without unreasonable effort and, in addition, we believe that any information that could be disclosed in connection with such reconciliation would not be meaningful and could in fact confuse or mislead investors. This is due to the fact that management aims to achieve a value for ROE (after tax) that lies within the target range, rather than a specific combination of numerator and denominator for any given ROE (after tax) value, including the high and low ends of the ROE (after tax) range. As such, we believe that information on the level of ROE (after tax) targeted by management is useful supplemental information for investors. However, we use the targeted ROE (after tax) range as an integral performance measure that takes into account the history of SFS operations and management's experience in projecting rather than deriving it from individual quantitative forecasts of the components of ROE (after tax), i.e., profit after tax of SFS, Average allocated equity of SFS. Accordingly, the numbers presented in any reconciliation would be arbitrary or even potentially misleading, because they would be generated solely for purposes of the reconciliation and would not reflect the basis for management's view of the potential future development of the business.

**RETURN ON CAPITAL EMPLOYED (ADJUSTED)**

**Definition, most directly comparable IFRS financial measures and usefulness**

Siemens presents ROCE (adjusted) at the Siemens group level for continuing operations. ROCE (adjusted) (continuing operations) is Siemens measure of capital efficiency and sustainable value creation. Income from continuing operations before interest after tax (annualized for purposes of interim reporting), the numerator in the

## **Table of Contents**

ROCE (adjusted) (continuing operations) calculation, is defined as Income from continuing operations, excluding Other interest income (expense), net (but not Other interest income (expense) of SFS) (both as reported in the Consolidated Financial Statements or in the Notes to Consolidated Financial Statements), and excluding interest cost on Pension plans and similar commitments and taxes on these interest adjustments. SFS Other income (expense) is included in Other interest income (expense), net. Adding back SFS Other income (expense) in the numerator corresponds to the adjustment for SFS Debt in the denominator Average capital employed. For fiscal 2012 and 2011, interest cost on Pension plans and similar commitments is calculated using the weighted average discount rate of our pension benefit plans for the fiscal years ended September 30, 2011 (4.5%) and September 30, 2010 (4.2%) (both as reported in Item 18: Financial Statements Notes to Consolidated Financial Statements Note 24 in the Form 20-F 2011) applied to Pension plans and similar commitments as reported in the Consolidated Statements of Financial Position as of September 30, 2011 and 2010, respectively.

Average capital employed (continuing operations), or CE (continuing operations), the denominator in the ROCE (adjusted) calculation, is defined as the average of Total equity plus Long-term debt, plus Short-term debt and current maturities of long-term debt, less Cash and cash equivalents, plus Pension plans and similar commitments, less SFS Debt, less Fair value hedge accounting adjustment and less Assets classified as held for disposal (presented as discontinued operations), net of Liabilities associated with assets held for disposal (presented as discontinued operations). Each of the components of capital employed appears on the face of the Consolidated Statements of Financial Position, in the Notes to Consolidated Financial Statements, or in the relevant tables of Item 5: Operating and financial review and prospects.

The most directly comparable IFRS financial measure for the numerator in the ROCE (adjusted) (continuing operations) calculation is Net income and for the denominator it is Total equity.

Siemens uses this financial performance ratio in order to assess its income generation from the point of view of its shareholders and creditors, who provide Siemens with equity and debt. Siemens believes that the presentation of ROCE (adjusted) and the various supplemental financial measures involved in its calculation provides useful information to investors because ROCE (adjusted) can be used to determine whether capital invested in the Company yields competitive returns. In addition, achievement of predetermined targets relating to ROCE (adjusted) is one of the factors Siemens takes into account in determining the amount of performance-based compensation received by its management.

### **Limitations on the usefulness**

Out of practicability considerations, taxes on interest adjustments are determined based on a simplified methodology: the effective tax rate for the determination of taxes on interest adjustments is calculated by dividing Income taxes by Income from continuing operations before income taxes, both as reported in the Consolidated Statements of Income. Accordingly, the effective amount of income taxes related to these adjustments may differ from the amount calculated by means of this simplified procedure. In addition, the usefulness of ROCE (adjusted) is inherently limited by the fact that it is a ratio and thus does not provide information as to the absolute amount of Siemens' income.

**Table of Contents****Quantitative reconciliation**

The following tables report the calculation of return on capital employed (ROCE) (adjusted) as defined under One Siemens.

<b>Capital employed Fiscal 2012</b>	<b>09/30/2012</b>	<b>06/30/2012</b>	<b>03/31/2012</b>	<b>12/31/2011</b>	<b>09/30/2011</b>
	(in millions of )				
Total equity	31,302	32,313	32,142	33,947	32,156
Plus: Long-term debt	16,880	15,234	14,731	14,566	14,280
Plus: Short-term debt and current maturities of long-term debt	3,826	5,236	4,799	2,841	3,660
Less: Cash and cash equivalents	(10,891)	(8,963)	(8,424)	(8,977)	(12,468)
Plus: Pension plans and similar commitments	9,926	9,060	7,492	6,774	7,307
Less: SFS Debt	(14,558)	(13,644)	(13,303)	(13,424)	(12,075)
Less: Fair value hedge accounting adjustment <sup>(1)</sup>	(1,670)	(1,638)	(1,474)	(1,544)	(1,470)
<b>Capital employed (continuing operations and discontinued operations)<sup>(2)</sup></b>	<b>34,817</b>	<b>37,597</b>	<b>35,962</b>	<b>34,182</b>	<b>31,391</b>
Less: Assets classified as held for disposal presented as discontinued operations	(4,694)	(4,696)	(4,894)	(4,969)	(4,667)
Plus: Liabilities classified as held for disposal presented as discontinued operations	2,016	1,925	1,685	1,669	1,756
<b>Capital employed (continuing operations)<sup>(2)</sup></b>	<b>32,138</b>	<b>34,825</b>	<b>32,753</b>	<b>30,882</b>	<b>28,479</b>
<b>Capital employed Fiscal 2011</b>	<b>09/30/2011</b>	<b>06/30/2011</b>	<b>03/31/2011</b>	<b>12/31/2010</b>	<b>09/30/2010</b>
	(in millions of )				
Total equity	32,156	31,542	31,483	32,057	29,096
Plus: Long-term debt	14,280	14,191	14,196	15,656	17,497
Plus: Short-term debt and current maturities of long-term debt	3,660	4,971	5,016	4,051	2,416
Less: Cash and cash equivalents	(12,468)	(13,006)	(14,973)	(15,662)	(14,108)
Plus: Pension plans and similar commitments	7,307	5,997	5,845	7,234	8,464
Less: SFS Debt	(12,075)	(10,384)	(10,037)	(9,925)	(10,028)
Less: Fair value hedge accounting adjustment <sup>(1)</sup>	(1,470)	(808)	(719)	(1,037)	(1,518)
<b>Capital employed (continuing operations and discontinued operations)<sup>(2)</sup></b>	<b>31,391</b>	<b>32,503</b>	<b>30,812</b>	<b>32,374</b>	<b>31,819</b>
Less: Assets classified as held for disposal presented as discontinued operations	(4,667)	(5,636)	(5,148)		
Plus: Liabilities classified as held for disposal presented as discontinued operations	1,756	3,121	2,966		
<b>Capital employed (continuing operations)<sup>(2)</sup></b>	<b>28,479</b>	<b>29,987</b>	<b>28,630</b>	<b>32,374</b>	<b>31,819</b>

- (1) Debt is generally reported with a value representing approximately the amount to be repaid. However for debt designated in a hedging relationship (fair value hedges), this amount is adjusted by changes in market value mainly due to changes in interest rates. Accordingly, we deduct these changes in market value in order to end up with an amount of debt that approximately will be repaid, which we believe is a more meaningful figure for the calculation presented above. For further information on fair value hedges see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 31.

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- (2) Average capital employed for a fiscal year is determined as a five-point average in capital employed of the respective quarters starting with the capital employed as of September 30 of the previous fiscal year.

**Table of Contents**

	Year ended September 30,	
	2012	2011
	(in millions of €)	
<b>Income from continuing operations before interest after tax</b>		
Net income	4,590	6,321
Plus/Less: Other interest expense/income, net	(471)	(376)
Less/Plus: SFS Other interest expense/ income <sup>(1)</sup>	462	371
Plus: Interest cost on Pension plans and similar commitments <sup>(2)</sup>	333	356
Less: Taxes on interest adjustments <sup>(3)</sup>	(93)	(81)
<b>Income before interest after tax</b>	<b>4,821</b>	<b>6,590</b>
Less/Plus: Income/ loss from discontinued operations, net of income taxes	595	1,055
<b>Income from continuing operations before interest after tax</b>	<b>5,416</b>	<b>7,645</b>
<b>Return on capital employed (ROCE) (adjusted) (continuing operations)</b>		
(I) Income from continuing operations before interest after tax	5,416	7,645
(II) Average capital employed (continuing operations)	31,816	30,258
<b>(I) / (II) ROCE (adjusted) (continuing operations)</b>	<b>17.0%</b>	<b>25.3%</b>

(1) SFS Other interest income/expense is included in Other interest income/expense, net. Adding back SFS Other interest income/expense in the numerator corresponds to the adjustment for Financial Services (SFS) Debt in the denominator.

(2) For fiscal 2012 and 2011, Interest cost on Pension plans and similar commitments is calculated using the weighted average discount rate of our pension benefit plans for the fiscal year ended September 30, 2011 (4.5%) and September 30, 2010 (4.2%) (both as reported in Notes to Consolidated Financial Statements) applied to Pension plans and similar commitments as reported in the Consolidated Statements of Financial Position as of September 30, 2011 and 2010, respectively.

(3) Effective tax rate for the determination of taxes on interest adjustments is calculated by dividing Income from continuing operations before income taxes through Income taxes, both as reported in the Consolidated Statements of Income.

We are unable to prepare a reconciliation to our announced ROCE (adjusted) range for 2013 and 2014 without unreasonable effort and, in addition, we believe that any information that could be disclosed in connection with such reconciliation would not be meaningful and could in fact confuse or mislead investors. This is due to the fact that management aims to achieve a value for ROCE (adjusted) that lies within the target range, rather than a specific combination of numerator and denominator for any given ROCE (adjusted) value, including the high and low ends of the ROCE (adjusted) range. As such, we believe that information on the level of ROCE (adjusted) targeted by management is useful supplemental information for investors. However, we use the targeted ROCE (adjusted) range as an integral performance measure that takes into account our history of operations and management's experience in projecting rather than deriving it from individual quantitative forecasts of the components of ROCE (adjusted), i.e., Income from continuing operations before interest after tax, Average Capital Employed and their respective sub-components. Accordingly, the numbers presented in any reconciliation would be arbitrary or even potentially misleading, because they would be generated solely for purposes of the reconciliation and would not reflect the basis for management's view of the potential future development of the business.

**FREE CASH FLOW****Definition, most directly comparable IFRS financial measures and usefulness**

Siemens defines FCF as Net cash provided by (used in) operating activities less Additions to intangible assets and property, plant and equipment. The IFRS financial measure most directly comparable to FCF is Net cash provided by (used in) operating activities.

Siemens believes that the presentation of FCF provides useful information to investors because it is a measure of cash generated by our operations after deducting cash outflows for Additions to intangible assets and property, plant and equipment. Therefore, the measure gives an indication of the long-term cash generating ability of our business. In addition, because FCF is not impacted by portfolio activities, it is less

volatile than the total of Net cash provided by (used in) operating activities and Net cash provided by (used in) investing

**Table of Contents**

activities. For this reason, FCF is reported on a regular basis to Siemens management, who uses it to assess and manage cash generation among the various reportable segments of Siemens and for the worldwide Siemens group. Achievement of predetermined targets relating to FCF generation is one of the factors Siemens takes into account in determining the amount of performance-based compensation received by its management, both at the level of the worldwide Siemens group and at the level of individual reportable segments.

**Limitations on the usefulness**

FCF is not a measure of cash generated by operations that is available exclusively for discretionary expenditures. This is, because in addition to capital expenditures needed to maintain or grow its business, Siemens requires cash for a wide variety of non-discretionary expenditures, such as interest and principal payments on outstanding debt, dividend payments or other operating expenses.

**Quantitative reconciliation**

	Year ended September 30,		
	2012	2011	2010
	(in millions of €)		
<b>Free cash flow (continuing and discontinued operations)</b>			
Net cash provided by (used in) operating activities (continuing and discontinued operations)	6,972	7,767	9,349
Less: Additions to intangible assets and property, plant and equipment (continuing and discontinued operations)	(2,410)	(2,617)	(2,336)
<b>Free cash flow (continuing and discontinued operations)</b>	<b>4,562</b>	<b>5,150</b>	<b>7,013</b>
Net cash provided by (used in) investing activities (continuing and discontinued operations)	(5,685)	(4,044)	(2,847)
Net cash provided by (used in) financing activities (continuing and discontinued operations)	(2,916)	(5,443)	(2,646)
<b>Free cash flow (continuing operations)</b>			
Net cash provided by (used in) operating activities (continuing operations)	6,996	8,081	9,055
Less: Additions to intangible assets and property, plant and equipment (continuing operations)	(2,206)	(2,163)	(1,939)
<b>Free cash flow (continuing operations)</b>	<b>4,790</b>	<b>5,918</b>	<b>7,116</b>
Net cash provided by (used in) investing activities (continuing operations)	(5,034)	(2,739)	(2,010)
Net cash provided by (used in) financing activities (continuing operations)	(3,591)	(7,062)	(3,189)
<b>ADJUSTED EBITDA, ADJUSTED EBIT AND ADJUSTED EBITDA MARGINS</b>			

**Definition, most directly comparable IFRS financial measures and usefulness****Adjusted EBITDA and adjusted EBIT at the Siemens group level**

Siemens reports adjusted EBITDA and adjusted EBIT on a continuing operations basis. Siemens defines adjusted EBITDA as adjusted EBIT before amortization (which in turn is defined as Amortization and impairments of intangible assets other than goodwill) and Depreciation and impairments of property, plant and equipment and goodwill. Siemens defines adjusted EBIT as Income from continuing operations before income taxes excluding Other financial income (expense), net, Interest expense, Interest income, as well as Income (loss) from investments accounted for using the equity method, net. Each of the components of adjusted EBIT appears on the face of the Consolidated Financial Statements, and each of the additional components of adjusted EBITDA appears in the Consolidated Financial Statements, or is presented within Item 5: Operating and financial review and prospects Reconciliation to adjusted EBITDA (continuing operations).



## **Table of Contents**

We disclose adjusted EBITDA and adjusted EBIT as supplemental non-GAAP financial performance measures, as we believe they are useful metrics by which to compare the performance of our business from period to period. We understand that measures similar to adjusted EBITDA and adjusted EBIT are broadly used by analysts, rating agencies and investors in assessing our performance. Accordingly, Siemens believes that the presentation of adjusted EBITDA and adjusted EBIT provides useful information to investors. The IFRS financial measure most directly comparable to adjusted EBITDA and adjusted EBIT is Net income.

Adjusted EBITDA is included in the ratio of adjusted industrial net debt to adjusted EBITDA, a measure of our capital structure. For further information regarding the ratio of adjusted industrial net debt to adjusted EBITDA, see Item 5: Operating and financial review and prospects Liquidity and capital resources Capital structure.

### **Adjusted EBITDA and adjusted EBIT at the Sector level**

Siemens also presents adjusted EBITDA and adjusted EBIT at the Sector level. Siemens defines adjusted EBITDA at the Sector level as adjusted EBIT before amortization (which in turn is defined as Amortization and impairments of intangible assets other than goodwill) and Depreciation and impairments of property, plant and equipment and goodwill at the Sector level. Siemens defines adjusted EBIT at the Sector level as profit as presented in the Segment information excluding Financial income (expense), net as well as Income (loss) from investments accounted for using the equity method, net. Each of the components of adjusted EBITDA and adjusted EBIT at the level of each Sector, respectively, is presented within Item 5: Operating and financial review and prospects Reconciliation to adjusted EBITDA (continuing operations). The IFRS financial measure most directly comparable to adjusted EBITDA and adjusted EBIT at the Sector level is profit of the relevant Sector as presented in Item 18: Financial Statements Notes to Consolidated Financial Statements Segment information.

Accordingly, we believe that reporting adjusted EBITDA and adjusted EBIT on a segment level enhances the ability of investors to compare performance across segments.

### **Adjusted EBITDA margins at the Sector level**

Siemens defines adjusted EBITDA margins at the Sector level as the ratio of adjusted EBITDA to revenue (as presented in Item 18: Financial Statements Notes to Consolidated Financial Statements Segment information). Siemens intends to maintain and further improve the profitability of its businesses and to achieve margins on the level of the best competitors in our industries throughout the complete business cycle. Accordingly, within One Siemens we defined adjusted EBITDA margin ranges for the respective industries of our four Sectors.

Siemens believes that the presentation of adjusted EBITDA margins as a part of One Siemens provides useful information on how successfully Siemens operated in its markets and enhances the ability of investors to compare profitability across segments.

### **Limitations on the usefulness**

As adjusted EBITDA excludes non-cash items such as depreciation, amortization and impairments, it does not reflect the expenses associated with the full economic effect on Siemens' assets over time. Similarly, neither adjusted EBITDA, adjusted EBIT nor adjusted EBITDA margins reflects the impact of Financial income (expense), net, Income (loss) from investments accounted for using the equity method, net and Income taxes.

**Table of Contents****Quantitative reconciliation**

	Year ended September 30,		
	2012	2011	2010
	(in millions of €)		
Net income	4,590	6,321	4,068
Less/Plus: Income/ loss from discontinued operations, net of income taxes	595	1,055	261
<b>Income from continuing operations</b>	<b>5,184</b>	<b>7,376</b>	<b>4,329</b>
Plus: Income taxes	2,094	2,232	1,716
<b>Income from continuing operations before income taxes</b>	<b>7,279</b>	<b>9,608</b>	<b>6,045</b>
Less/Plus: Other financial income/expense, net <sup>(1)</sup>	5	(649)	383
Plus: Interest expense <sup>(1)</sup>	1,728	1,716	1,758
Less: Interest income <sup>(1)</sup>	(2,234)	(2,200)	(2,045)
Less/Plus: Income/loss from investments accounted for using the equity method, net	266	(210)	(16)
<b>Adjusted EBIT (continuing operations)</b>	<b>7,043</b>	<b>8,264</b>	<b>6,124</b>
Plus: Amortization, depreciation and impairments <sup>(2)</sup>	2,744	2,437	3,713
<b>Adjusted EBITDA (continuing operations)</b>	<b>9,788</b>	<b>10,701</b>	<b>9,837</b>

(1) The total of Other financial income/expense, net, Interest expense and Interest income as reported in the Consolidated Statements of Income equals Financial income/expense, net in the Reconciliation to adjusted EBITDA presented in Item 5: Operating and financial review and prospects Reconciliation to adjusted EBITDA (continuing operations).

(2) Amortization, depreciation and impairments as reported within Item 18: Financial Statements Notes to Consolidated Financial Statements Segment information does not include impairments of goodwill. Impairments of goodwill are presented in Item 5: Operating and financial review and prospects Reconciliation to adjusted EBITDA (continuing operations).

For a quantitative reconciliation to adjusted EBITDA and adjusted EBIT at the Sector level and adjusted EBITDA margins, see Item 5: Operating and financial review and prospects Reconciliation to adjusted EBITDA (continuing operations).

We are unable to prepare a reconciliation to our announced adjusted EBITDA margin range for 2013 and 2014 without unreasonable effort and, in addition, we believe that any information that could be disclosed in connection with such reconciliation would not be meaningful and could in fact confuse or mislead investors. This is due to the fact that management aims to achieve a value for the adjusted EBITDA margin that lies within the target range, rather than a specific combination of numerator and denominator for any given adjusted EBITDA margin, including the high and low ends of the adjusted EBITDA margin range. As such, we believe that information on the adjusted EBITDA margin targeted by management is useful supplemental information for investors. However, we use the targeted adjusted EBITDA margin as an integral performance measure that takes into account our history of operations and management's experience in projecting rather than deriving it from individual quantitative forecasts of the components of the adjusted EBITDA margin, i.e., adjusted EBITDA and Revenue. Accordingly, the numbers presented in any reconciliation would be arbitrary or even potentially misleading, because they would be generated solely for purposes of the reconciliation and would not reflect the basis for management's view of the potential future development of the business.

**EARNINGS EFFECT FROM PURCHASE PRICE ALLOCATION****Definition, most directly comparable IFRS financial measures and usefulness**

The purchase price paid for an acquired business is allocated to the assets, liabilities and contingent liabilities acquired based on their fair values. The fair value step-ups result in an earnings effect over time, e.g. additional amortization of fair value step-ups of intangible assets, which is defined as PPA effects.

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Siemens believes that the presentation of PPA effects provides useful information to investors as it allows investors to consider earnings impacts related to business combination accounting in the performance analysis.

## **Table of Contents**

### **Limitations on the usefulness**

The fact that PPA effects are stated separately does not mean that they do not impact profit of the relevant segment in the Consolidated Financial Statements.

### **Quantitative reconciliation**

If we report PPA effects, we provide the absolute values of the PPA effects. The absolute values enable investors to consider earnings impacts related to business combination accounting in the performance analysis.

### **NET DEBT**

#### **Definition, most directly comparable IFRS financial measures and usefulness**

Siemens defines net debt as total debt less total liquidity. Total debt is defined as Short-term debt and current maturities of long-term debt plus Long-term debt. Total liquidity is defined as Cash and cash equivalents plus current Available-for-sale financial assets. Each of these components appears in the Consolidated Statements of Financial Position. The IFRS financial measure most directly comparable to net debt is the total of Short-term debt and current maturities of long-term debt and Long-term debt as reported in the Notes to Consolidated Financial Statements.

Siemens believes that the presentation of net debt provides useful information to investors because its management reviews net debt as part of its management of Siemens' overall liquidity, financial flexibility, capital structure and leverage. In particular, net debt is an important component of adjusted industrial net debt. Furthermore, certain debt rating agencies, creditors and credit analysts monitor Siemens' Net debt as part of their assessments of Siemens' business.

### **Limitations on the usefulness**

Siemens typically uses a considerable portion of its cash, cash equivalents and available-for-sale financial assets at any given time for purposes other than debt reduction. Therefore, the fact that these items are excluded from net debt does not mean that they are used exclusively for debt repayment.

### **Quantitative reconciliation**

For a quantitative reconciliation of net debt to total debt, refer to Item 5: Operating and financial review and prospects' Liquidity and capital resources' Capital structure.

### **ADJUSTED INDUSTRIAL NET DEBT**

#### **Definition, most directly comparable IFRS financial measures and usefulness**

Within One Siemens, we manage adjusted industrial net debt as one component of our capital. Siemens defines adjusted industrial net debt as net debt less SFS Debt; less 50% of the nominal amount of our hybrid bond, plus Pension plans and similar commitments (as presented in the Consolidated Financial Statements), plus credit guarantees; and less fair value hedge accounting adjustments. The adjustment for our hybrid bond considers the calculation of this financial ratio applied by rating agencies to classify 50% of our hybrid bond as equity and 50% as debt. This assignment follows the characteristics of our hybrid bond such as a long maturity date and subordination to all senior and debt obligations. Debt is generally reported with a value representing approximately the amount to be repaid. However, for debt designated in a hedging relationship (fair value hedges), this amount is adjusted by changes in market value mainly due to changes in interest rates. Accordingly, we deduct these changes in market value in order to end up with an amount of debt that approximately will be repaid, which we believe is a more meaningful figure for the calculation. The IFRS financial measure most directly comparable to adjusted industrial net debt is the total of Short-term debt and current maturities of long-term debt and Long-term debt as reported in the Notes to Consolidated Financial Statements.

## **Table of Contents**

A key consideration in managing our capital structure is the maintenance of ready access to the capital markets through various debt products and the preservation of our ability to repay and service our debt obligations over time. Siemens has therefore set a capital structure target that is measured by adjusted industrial net debt divided by adjusted EBITDA from continuing operations (annualized for purposes of interim reporting). We believe that adopting a metric that compares our earnings-based performance relative to our indebtedness ( leverage ) assists us in managing our business to achieve these goals. We have selected adjusted EBITDA from continuing operations as the performance element of the metric because we believe our earnings-based performance is a key determinant of the willingness of lenders to provide us with debt on favorable conditions and our ability to meet our debt obligations in future periods.

Siemens believes that using the ratio of adjusted industrial net debt to adjusted EBITDA from continuing operations as a measure of its capital structure provides useful information to investors because management uses it to manage our debt-equity ratio in order to promote access to debt financing instruments in the capital markets and our ability to meet scheduled debt service obligations.

### **Limitations on the usefulness**

Siemens typically uses a considerable portion of its cash, cash equivalents and available-for-sale financial assets at any given time for purposes other than debt reduction. Therefore, the fact that these items are excluded from adjusted industrial net debt does not mean that they are used exclusively for debt repayment. The use of the ratio adjusted industrial net debt to adjusted EBITDA is inherently limited by the fact that it is a ratio.

### **Quantitative reconciliation**

For a quantitative reconciliation of Adjusted industrial net debt debt and the ratio of adjusted industrial net debt to adjusted EBITDA from continuing operations, refer to Item 5: Operating and financial review and prospects Liquidity and capital resources Capital structure.

## **Table of Contents**

### **ITEM 6: DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES MANAGEMENT**

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

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

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

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

#### **SUPERVISORY BOARD**

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

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

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

to monitor the management of the Company;

to appoint and dismiss members of our Managing Board;

to represent the Company in its dealings with the Managing Board or when its interests are adverse to those of the Managing Board. For example, when the Company enters into an employment contract with a Managing Board member, the Supervisory Board determines the salary and other compensation components, including pension benefits; and



**Table of Contents**

to approve matters in any areas that the Supervisory Board has made subject to its approval, either generally or in a specific case. Each member of the Supervisory Board is elected for a maximum term of approximately five years, which expires at the end of the Annual Shareholders Meeting in which the shareholders ratify the acts of the Supervisory Board member for the fourth fiscal year following the fiscal year in which the member was elected. There is no mandatory retirement age for members of the Supervisory Board under our Articles of Association. However, the Bylaws of the Supervisory Board set forth that, as a rule, only persons who are not older than 70 years shall be nominated for election as members of the Supervisory Board. Our Articles of Association establish the compensation of the Supervisory Board members. For further details, see Item 6: Directors, senior management and employees Compensation report.

The following table sets forth the names of the members of our Supervisory Board, their dates of birth, the expiration of their respective terms, their board positions and principal occupations, and their principal outside directorships as of September 30, 2012:

<b>Name</b>	<b>Date of birth</b>	<b>Term expires</b>	<b>Board position and principal occupation</b>	<b>Companies at which Supervisory Board and similar positions were held</b>
Dr. Gerhard Cromme	2/25/1943	Annual Shareholders Meeting 2013	Chairman of the Supervisory Board; Chairman of the Supervisory Board, ThyssenKrupp AG	Axel Springer AG; Compagnie de Saint-Gobain S.A.; ThyssenKrupp AG
Berthold Huber <sup>(1)</sup>	2/15/1950	Annual Shareholders Meeting 2013 <sup>(2)</sup>	First Deputy Chairman; First Chairman, IG Metall	Audi AG; Porsche Automobil Holding SE, Volkswagen AG
Dr. Josef Ackermann	2/7/1948	Annual Shareholders Meeting 2013	Second Deputy Chairman; Chairman of the Board of Directors, Zurich Insurance Group AG; Chairman of the Board of Directors, Zürich Versicherungs-Gesellschaft AG	Belenos Clean Power Holding AG; Investor AB; Royal Dutch Shell plc; Zurich Insurance Group AG; Zürich Versicherungs-Gesellschaft AG
Lothar Adler <sup>(1)</sup>	2/22/1949	Annual Shareholders Meeting 2013 <sup>(2)</sup>	Member; Chairman of the Central Works Council, Siemens AG	
Jean-Louis Beffa	8/11/1941	Annual Shareholders Meeting 2013	Member; Honorary Chairman, Compagnie de Saint-Gobain	Claude Bernard Participations S.A.S.; GDF SUEZ S.A.; Groupe Bruxelles Lambert; JL2B Conseils; Le Monde S.A.; Le Monde & Partenaires Associés S.A.S.; Saint-Gobain Corporation; Société Editrice du Monde S.A.
Gerd von Brandenstein	4/6/1942	Annual Shareholders Meeting 2013	Member; Economist	degewo AG
Michael Diekmann	12/23/1954	Annual Shareholders Meeting 2013	Member; Chairman of the Board of Management, Allianz SE	Allianz Asset Management AG; Allianz Deutschland AG; BASF SE; Linde AG; Allianz France S.A.; Allianz S.p.A.
Dr. Hans Michael Gaul	3/2/1942	Annual Shareholders Meeting 2013	Member; Supervisory Board member	BDO AG Wirtschaftsprüfungsgesellschaft; Evonik Industries AG; EWE AG; HSBC Trinkaus & Burkhardt AG



**Table of Contents**

<b>Name</b>	<b>Date of birth</b>	<b>Term expires</b>	<b>Board position and principal occupation</b>	<b>Companies at which Supervisory Board and similar positions were held</b>
Prof. Dr. Peter Gruss	6/28/1949	Annual Shareholders Meeting 2013	Member; President, Max-Planck-Gesellschaft zur Förderung der Wissenschaften e.V.	Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München; Actelion Ltd
Bettina Haller <sup>(1)</sup>	3/14/1959	Annual Shareholders Meeting 2013 <sup>(2)</sup>	Member; Chairwoman of the Combined Works Council, Siemens AG	
Hans-Jürgen Hartung <sup>(1)</sup>	3/10/1952	Annual Shareholders Meeting 2013 <sup>(2)</sup>	Member; Chairman of the Works Council, Siemens Energy Sector, Erlangen, Germany	
Harald Kern <sup>(1)</sup>	3/16/1960	Annual Shareholders Meeting 2013 <sup>(2)</sup>	Member; Chairman of the Siemens Europe Committee	
Jürgen Kerner <sup>(1)(3)</sup>	1/22/1969	Annual Shareholders Meeting 2013 <sup>(2)</sup>	Member; Executive Member of the Managing Board of IG Metall	MAN SE; Premium Aerotec GmbH
Dr. Nicola Leibinger-Kammüller	12/15/1959	Annual Shareholders Meeting 2013	Member; President and Chairwoman of the Managing Board, TRUMPF GmbH + Co. KG	Axel Springer AG; Deutsche Lufthansa AG; Voith GmbH
Werner Mönius <sup>(1)</sup>	5/16/1954	Annual Shareholders Meeting 2013	Member; Chairman of the Works Council, Siemens Healthcare Sector, Erlangen	
Håkan Samuelsson	3/19/1951	Annual Shareholders Meeting 2013	Member; Supervisory Board member <sup>(4)</sup>	Scandferries Holding GmbH; Scandlines GmbH; Volvo Car Corporation
Dieter Scheitor <sup>(1)(3)</sup>	11/23/1950	1/24/2012	Member; Physicist; IG Metall headquarters	
Dr. Rainer Sieg <sup>(1)</sup>	12/20/1948	Annual Shareholders Meeting 2013 <sup>(2)</sup>	Inactive phase of part-time pre-retirement scheme Member; Chairman of the Committee of Spokespersons, Siemens group; Chairman of the Central Committee of Spokespersons, Siemens AG	
Birgit Steinborn <sup>(1)</sup>	3/26/1960	Annual Shareholders Meeting 2013 <sup>(2)</sup>	Member; Deputy Chairwoman of the Central Works Council, Siemens AG	
Lord Iain Vallance of Tummel	5/20/1943	Annual Shareholders Meeting 2013	Member; Chairman, Amsphere Ltd.	
Sibylle Wankel <sup>(1)</sup>	3/3/1964	Annual Shareholders Meeting 2013 <sup>(2)</sup>	Member; Attorney, Bavarian Regional Headquarters, IG Metall	Vaillant GmbH

(1) Employee representative.

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- (2) Term expires at Annual Shareholders Meeting 2013; however, on September 25, 2012 these employee representatives were elected pursuant to the German Codetermination Act's provisions regarding the election of employee representatives to a supervisory board to serve for another term as employee representatives on Siemens Supervisory Board. The new term of office will begin at the close of the Annual Shareholders Meeting 2013 and expire at the Annual Shareholders Meeting 2018. Robert Kensbock who has not been previously on the Supervisory Board was also elected as employee representative, effective as of the close of the Annual Shareholders Meeting 2013.
- (3) Dieter Scheitor ceased to be a member of the Supervisory Board, effective January 24, 2012, and was replaced by Jürgen Kerner, effective January 25, 2012.
- (4) Appointed President and CEO of Volvo Car Corporation on October 19, 2012.

**Table of Contents**

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

<b>Name of committee</b>	<b>Current members</b>
Chairman's Committee	Chairman Dr. Gerhard Cromme, Lothar Adler <sup>(1)</sup> , Dr. Josef Ackermann, Berthold Huber <sup>(1)</sup> .
Audit Committee	Chairman Dr. Hans Michael Gaul, Dr. Gerhard Cromme, Bettina Haller <sup>(1)</sup> , Jürgen Kerner <sup>(1)(2)</sup> , Birgit Steinborn <sup>(1)</sup> , Lord Iain Vallance of Tummel.
Compliance Committee	Chairman Dr. Gerhard Cromme, Lothar Adler <sup>(1)</sup> , Dr. Hans Michael Gaul, Bettina Haller <sup>(1)</sup> , Lord Iain Vallance of Tummel, Sibylle Wankel <sup>(1)</sup> .
Finance and Investment Committee	Chairman Dr. Gerhard Cromme, Lothar Adler <sup>(1)</sup> , Jean-Louis Beffa, Gerd von Brandenstein, Jürgen Kerner <sup>(1)(2)</sup> , Werner Mönius <sup>(1)</sup> , Håkan Samuelsson, Birgit Steinborn <sup>(1)</sup> .
Nominating Committee	Chairman Dr. Gerhard Cromme, Dr. Josef Ackermann, Dr. Hans Michael Gaul.
Mediation Committee	Chairman Dr. Gerhard Cromme, Dr. Josef Ackermann, Lothar Adler <sup>(1)</sup> , Berthold Huber <sup>(1)</sup> .

(1) Employee representative.

(2) Dieter Scheitor ceased to be a member of the Supervisory Board, effective January 24, 2012 and was replaced by Jürgen Kerner.

**MANAGING BOARD**

Our Managing Board currently consists of ten members.

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

the preparation of the annual financial statements;

the calling of the Annual Shareholders Meeting (unless applicable law requires otherwise) and preparation and execution of the resolutions; and

the preparation of reports to the Supervisory Board and the Annual Shareholders Meeting concerning certain matters.

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



**Table of Contents**

The Supervisory Board appoints the members of the Managing Board for a maximum term of five years. They may be re-appointed or have their term extended for one or more terms of up to a maximum of five years each. The Supervisory Board may remove a member of the Managing Board prior to the expiration of its term for good cause, generally by a two-thirds majority of the votes cast. There is no mandatory retirement age for members of the Managing Board under our Articles of Association. According to the Managing Board's Bylaws, however, the age of a member of the Managing Board shall not, as a rule, exceed 65 years.

According to the Managing Board's Bylaws, decisions of the Managing Board shall be taken unanimously whenever possible. If unanimity cannot be achieved, a decision shall require a simple majority of votes cast unless applicable law requires a larger majority. The President of the Managing Board shall have the deciding vote in the event of a deadlock.

The following table sets forth the names of the members of our Managing Board, their dates of birth, the expiration of their respective terms, their current positions and their principal outside directorships as of September 30, 2011:

Name	Date of birth	Term expires	Current position	Companies at which
				Supervisory Board and similar positions were held
Peter Löscher	9/17/1957	3/31/2017	President and CEO	Deutsche Bank AG;  Münchener Rückversicherungs-Gesellschaft  Aktiengesellschaft in  München; TBG Limited (Thyssen-Bornemisza Group) Allianz Deutschland AG;
Joe Kaeser	6/23/1957	3/31/2016	Executive Vice-President and CFO	NXP Semiconductors B.V. Atos S.A.
Dr. Roland Busch	11/22/1964	3/31/2016	Executive Vice-President	Boehringer Ingelheim RCV GmbH;
Brigitte Ederer	2/27/1956	6/30/2015	Executive Vice-President	Jenoptik AG; Österreichische Industrieholding AG (ÖIAG)
Klaus Helmrich	5/24/1958	3/31/2016	Executive Vice-President	EOS Holding AG
Barbara Kux	2/26/1954	11/16/2013	Executive Vice-President	Total S.A.
Prof. Dr. Hermann Requardt	2/11/1955	3/31/2016	Executive Vice-President	Software AG
Prof. Dr. Siegfried Russwurm	6/27/1963	3/31/2017	Executive Vice-President	Deutsche Messe AG
Peter Y. Solmssen	1/24/1955	3/31/2017 <sup>(1)</sup>	Executive Vice-President	
Dr. Michael Süß	12/25/1963	3/31/2016	Executive Vice-President	Herrenknecht AG;  KION Group GmbH; KION Holding 1 GmbH

(1) As a rule, reappointments are effected until the completion of the 60th year of life only, however, with the proviso that they are extended for another year at a time until a total maximum five-year term, provided that neither the member of the Managing Board nor the Supervisory Board objects.

**COMPENSATION REPORT**

The Compensation report outlines the principles underlying the determination of the total compensation of the members of the Managing Board of Siemens AG, and sets out the structure and level of the remuneration of the Managing Board members. It also describes the policies governing, and levels of, compensation paid to Supervisory Board members.

**REMUNERATION OF MEMBERS OF THE MANAGING BOARD**

**Remuneration System**

The remuneration system for the Managing Board at Siemens is intended to provide an incentive for successful corporate management with an emphasis on sustainability. Members of the Managing Board are

## **Table of Contents**

expected to make a long-term commitment to and on behalf of the Company, and may benefit from any sustained increase in the Company's value. In the interest of that aim, a substantial portion of their total remuneration is linked to the performance of Siemens stock. A further aim is for their remuneration to be commensurate with Company's size and economic position. Exceptional achievements are to be rewarded adequately, while falling short of goals is intended to result in an appreciable reduction in remuneration. The Managing Board's compensation is also structured so as to be attractive in comparison to that of competitors, with a view to attracting outstanding managers to our Company and keeping them with us for the long term.

The system and levels for the remuneration of the Managing Board are determined and reviewed regularly by the Supervisory Board, based on proposals from the Chairman's Committee. The Supervisory Board reviews remuneration levels annually to ensure that they are appropriate. In that process, the economic situation and the results of the Company as well as the performance of the individual Managing Board members are taken into account. In addition, the Supervisory Board considers the adequacy of remuneration in comparison with standard practice at similar companies and with the compensation structure valid elsewhere in the Company. The remuneration system that has been used for the Managing Board members since fiscal 2011 was approved by a large majority at the Annual Shareholders' Meeting on January 25, 2011.

In fiscal 2012, the remuneration system for the Managing Board had the following components:

### **Non-performance-based components**

**Base compensation** Base compensation is paid as a monthly salary. It is reviewed regularly, and revised if appropriate. The base compensation of President and CEO Peter Löscher was set at the time of his appointment on July 1, 2007, and has remained essentially unchanged since then. It is € 2,000,000 per year. The base compensation of the other members of the Managing Board has been € 900,000 per year since October 1, 2010.

**Other compensation** Other compensation includes costs, or the cash equivalent, of non-monetary benefits and perquisites, such as provision of a Company car, contributions toward the cost of insurance, reimbursement of fees for legal advice, tax advice and accommodation and moving expenses, including a gross-up for any taxes that have to be borne in this regard, as well as costs relating to preventive medical examinations.

## Table of Contents

### Performance-based components

**Variable compensation component (bonus)** The variable compensation component (bonus) is based on the Company's business performance in the past fiscal year. The targets for the variable compensation component are derived from One Siemens, our target system for sustainably enhancing corporate value. On the basis of this target system, the Supervisory Board at the beginning of each fiscal year defines specific targets for several parameters. These target parameters - in addition to other factors - also apply to senior executives, with a view to establishing a consistent target system throughout the Company.

For a 100% target attainment (target amount) the amount of the bonus equals the amount of base compensation. The bonus is subject to a ceiling (cap) of 200%. If targets are substantially missed, the variable component may potentially not be paid at all.

The Supervisory Board is entitled to revise the amount resulting from attaining targets, by as much as 20% upward or downward, at its duty-bound discretion (*pflichtgemäßes Ermessen*); the adjusted amount of the bonus paid can be as much as 240% of the target amount. In choosing the factors to be considered in deciding on possible revisions of the bonus payouts ( $\pm 20\%$ ), the Supervisory Board takes account of incentives for sustainable corporate management. The revision option may also be exercised in recognition of Managing Board members' individual achievements.

The bonus is paid half in cash, and half in the form of non-forfeitable stock commitments (Bonus Awards). After a four-year waiting period, the beneficiary will receive one share of Siemens stock for each Bonus Award. Instead of the transfer of Siemens stock, an equivalent cash settlement may be effected.

**Long-term stock-based compensation** Long-term stock-based compensation consists of a grant of forfeitable stock commitments (Stock Awards). The beneficiaries will receive one free share of Siemens stock for each Stock Award after a restriction period. Beginning with fiscal 2011, the restriction period for Stock Awards ends at the close of the second day after publication of the operating results for the fourth calendar year after the date of the award.

In the event of extraordinary unforeseen developments that have an impact on the stock price, the Supervisory Board may decide to reduce the number of promised Stock Awards retroactively, or it may decide that in lieu of a transfer of Siemens Stock only a cash settlement in a defined and limited amount will be paid, or it may decide to postpone transfers of Siemens Stock for payable Stock Awards until the developments have ceased to have an impact on the stock price.

In the event of a 100% target attainment, the annual target amount for the monetary value of the Stock Awards commitment will be 2.5 million for the President and CEO, and 1 million for each of the other members of the Managing Board. Beginning with fiscal 2011, the Supervisory Board has the option of increasing, on an individual basis, the target amount for a member of the Managing Board who has been reappointed by as much as 75% above the amount of 1 million, for one fiscal year at a time. This option enables the Supervisory Board to take account of the Managing Board member's individual accomplishments and experience as well as the scope and demands of his or her function. This rule does not apply to the President and CEO.

The foundation for the performance-based component of long-term stock-based compensation is One Siemens, our target system for sustainably enhancing corporate value. The allocation rules for long-term stock-based compensation take this focus into account as follows:

On the one hand, half of the annual target amount for the annual Stock Awards is linked to the average basic earnings per share (EPS) for the last three completed fiscal years (from continuing and discontinued operations). In principle, the target value is the average basic earnings per share (from continuing and discontinued operations) from the past three fiscal years completed prior to the year of compensation. At the end of each fiscal year, the Supervisory Board decides on a figure that represents that year's target attainment, which may lie between 0% and 200% (cap). This target attainment will then determine the actual monetary value of the award and the resulting number of Stock Awards.

On the other hand, the development of the performance of Siemens' stock compared to its competitors is to have a direct effect on compensation. For this purpose, with respect to the other half of the annual





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## **Table of Contents**

target amount for the Stock Awards, the Supervisory Board will first grant a number of Stock Awards equivalent to the monetary value of half the target amount on the date of the award. The Supervisory Board will also decide on a target system (target value for 100% and target curve) for the performance of Siemens stock relative to the stock of competitors (at present ABB, General Electric, Philips, Rockwell, Schneider). The reference period for measuring the target will be the same as the four-year restriction period for the Stock Awards. After this restriction period expires, the Supervisory Board will determine how much better or worse Siemens stock has performed relative to the stock of its competitors. This determination will yield a target attainment of between 0% and 200% (cap). If the target attainment is above 100%, an additional cash payment corresponding to the outperformance is effected. If the target attainment is less than 100%, a number of Stock Awards equivalent to the shortfall from the target will expire without replacement.

With regard to the further terms of the Stock Awards, the same general principles apply for the Managing Board and for senior executives; these principles are discussed in more detail in Item 18: Financial Statements Notes to Consolidated Financial Statements. The Notes also include further information about the stock-based employee investment plans.

### **Share Ownership Guidelines**

The Siemens Share Ownership Guidelines are an integral part of the remuneration system for the Managing Board and senior management. These guidelines require the members of the Managing Board - after a certain buildup phase - to hold Siemens stock worth a multiple of their base compensation (300% for the President and CEO, 200% for the other members of the Managing Board) during their term of office on the Managing Board. The determining figure in this context is the average base compensation that the relevant member of the Managing Board has drawn over the four years of the buildup phase. Accordingly, changes that have been made to base compensation in the meantime are included. Non-forfeitable stock awards (Bonus Awards) are taken into account in determining compliance with the Share Ownership Guidelines.

Evidence that this obligation has been met must first be provided after the buildup phase, and updated annually thereafter. If the value of the accrued holdings declines below the minimum to be evidenced from time to time because the market price of Siemens stock has fluctuated, the member of the Managing Board is obliged to acquire additional shares.

### **Pension benefit commitments**

The members of the Managing Board, like all Siemens AG employees, are included in the Siemens Defined Contribution Benefit Plan (BSAV). Under the BSAV, members of the Managing Board receive contributions that are credited to their personal pension account. The amount of the annual contributions is based on a predetermined percentage which refers to the base compensation and the target amount for the bonus. This percentage is decided annually by the Supervisory Board; it was set most recently at 28%. The non-forfeitability of pension benefit commitments is in compliance with the provisions of the German Company Pensions Act (Betriebsrentengesetz). Special contributions may be granted to Managing Board members on the basis of individual decisions of the Supervisory Board. In the case of new appointments of members of the Managing Board from outside the Company, these contributions may be defined as non-forfeitable from their inception. If a member of the Managing Board had earned a pension benefit entitlement from the Company before the BSAV was introduced, a portion of his contributions went toward financing this prior commitment.

Members of the Managing Board are entitled to benefits under the BSAV on reaching the age of 60, at the earliest. They may choose to have their accrued pension benefit balance paid out as a pension, as a lump sum, or in a maximum of twelve annual installments. If the pension option is chosen, a decision must be made as to whether it should include pensions for surviving dependents. If a member of the Managing Board dies while receiving a pension, benefits will be paid to the member's surviving dependents if the member has chosen such benefits. The Company will then provide a limited-term pension to surviving children until they reach age 27, or age 25 in the case of commitments made on or after January 1, 2007.

## **Table of Contents**

Benefits from the retirement benefit system that was in place before the BSAV was introduced are normally granted as pension benefits with a surviving dependents' pension. In this case as well, a payout in installments or a lump sum may be chosen instead of pension payments.

Members of the Managing Board who were employed by the Company on or before September 30, 1983, are entitled to transition payments for the first six months after retirement, equal to the difference between their final base compensation and the retirement benefits payable under the corporate pension plan.

### **Commitments in connection with termination of Managing Board membership**

Managing Board contracts provide for a compensatory payment if membership on the Managing Board is terminated prematurely by mutual agreement, without serious cause. The amount of this payment must not exceed the value of two years' compensation (cap). The amount of the compensatory payment is calculated on the basis of the base compensation and the variable components of compensation actually received for the last fiscal year before termination. The compensatory payment is payable in the month when the member leaves the Managing Board. In addition, a one-time exceptional contribution is made to the BSAV. The amount of this contribution is based on the BSAV contribution that the Board member received for the previous year, together with the remaining term of the appointment, but is limited to not more than two years' contributions (cap). The above benefits are not paid if an amicable termination of the member's activity on the Managing Board is agreed upon at the member's request, or if there is serious cause for the Company to terminate the employment relationship.

In the event of a change of control that results in a substantial change in the position of the Managing Board member (e.g., due to a change in corporate strategy or a change in the Managing Board member's duties and responsibilities), the member of the Managing Board has the right to terminate his or her contract with the Company for good cause. A change of control exists if one or more shareholders acting jointly or in concert acquire a majority of the voting rights in Siemens AG and exercise a controlling influence, or if Siemens AG becomes a dependent enterprise as a result of entering into an intercompany agreement within the meaning of Section 291 of the German Stock Corporation Act, or if Siemens AG is to be merged into an existing corporation or other entity. If this right of termination is exercised, the Managing Board member is entitled to a severance payment in the amount of not more than two years' compensation. The calculation of the annual compensation includes not only the base compensation and the target amount for the bonus, but also the target amount for the Stock Awards, in each case based on the most recent completed fiscal year prior to termination of the contract. The stock-based components for which a firm commitment already exists will remain unaffected. There is no entitlement to a severance payment if the Managing Board member receives benefits from third parties in connection with a change of control. Moreover, there is no right to terminate if the change of control occurs within a period of twelve months prior to a Managing Board member's retirement.

Additionally, compensatory or severance payments cover non-monetary benefits by including an amount of 5% of the total compensation or severance amount. Compensatory or severance payments will be reduced by 15% as a lump-sum allowance for discounted values and for income earned elsewhere. However, this reduction will apply only to the portion of the compensatory or severance payment that was calculated without taking account of the first six months of the remaining term of the Managing Board member's contract.

If a member leaves the Managing Board, the variable component (bonus) is determined pro rata temporis after the end of the fiscal year in which the appointment was terminated and settled in cash at the usual payout or transfer date, as the case may be. If the employment contract is terminated in the course of an appointment period, the non-forfeitable stock awards (Bonus Awards) for which the waiting period is still in progress will remain in effect without restriction. If the employment agreement is terminated because of retirement, disability or death, a Managing Board member's Bonus Awards will be settled in cash as of the date of departure from the Board.

By contrast, stock commitments that were made as long-term variable compensation (Stock Awards) and for which the restriction period is still in progress will expire without replacement if the employment agreement is terminated in the course of an appointment period. The same applies if the employment agreement is not extended after the end of an appointment period, either at the Board member's request or because there is serious cause that would have entitled the Company to revoke the appointment or terminate the contract. However, once

**Table of Contents**

granted, Stock Awards do not expire if the employment agreement is terminated because of retirement, disability, or death, or in connection with a spin-off, the transfer of an operation, or a change of activity within the corporate group. In this case, the Stock Awards will remain in effect upon termination of the employment agreement and will be honored on expiration of the restriction period.

**REMUNERATION OF MEMBERS OF THE MANAGING BOARD FOR FISCAL 2012**

On the basis of our One Siemens target system, at the beginning of the fiscal year the Supervisory Board sets the targets and weighting for the unchanged parameters compared to the previous year: organic revenue growth, return on capital employed (ROCE) adjusted, and free cash flow, in each case on the basis of continuing operations, together with earnings per share (EPS) on the basis of continuing and discontinued operations. The definition of these parameters and their weighting acknowledge a sustainable enhancement of corporate value. An internal review of the appropriateness of the Managing Board's compensation for fiscal 2012 has confirmed that the remuneration of the Managing Board resulting from the target attainment for fiscal 2012 is to be considered appropriate. Following the decision on determining the achievement of the targets set at the beginning of the fiscal year, the Supervisory Board decided at its meeting on November 7, 2012, to set the variable compensation component (bonus), the Stock Awards to be granted and the pension benefit contributions as follows:

**Variable compensation component (bonus)** In setting the targets for the variable compensation (bonus) at the beginning of fiscal 2012, the Supervisory Board took into account that the Company focuses on a sustainable appreciation of value:

The primary focus of the decision was capital-efficient growth; consequently, for fiscal 2012 more importance was attributed to the target parameters of organic revenue growth and return on capital employed (ROCE) adjusted.

For ROCE adjusted, the target value from the prior year remained unchanged.

The target for free cash flow was increased noticeably compared to the prior year. As a consequence, the following targets were set and attained with respect to the variable compensation component:

Target parameter	Weight	100% of target	Actual 2012 figure	Target attainment
Revenue growth (organic)*	40%	1%	3%	146.40%
ROCE adjusted*	40%	16.1%	17.0%	123.75%
Free Cash Flow *	20%	3,600 million	4,790 million	139.67%
<b>Total target attainment</b>				<b>135.99%</b>

\* Continuing operations

The values measured for target attainment were not adjusted. The Supervisory Board decided, exercising its duty-bound discretion (pflichtgemäßes Ermessen), to individually adjust the bonus payout amounts resulting from target attainment upward or downward for single Managing Board members with business responsibility for Sector portfolios. In its decision, the Supervisory Board reflected the attained performance of the Sectors.

**Long-term stock-based compensation** For half of the annual target amount for the Stock Awards, an average basic EPS (from continuing and discontinued operations) of 5.54 was determined for fiscal years 2010 through 2012, yielding a target attainment of 154%.

For the other half of the annual target amount for the Stock Awards, the Supervisory Board approved a number of Stock Awards equivalent to the monetary value of half the target amount on the award date. The amount by which these stock commitments must be adjusted or an additional cash payment must be made after the end of the restriction period will depend on the performance of Siemens stock compared to the stock of five competitors (ABB, General Electric, Philips, Rockwell, Schneider) over the coming four years, and will therefore not be determined until after the end of fiscal 2016.



**Table of Contents**

The number of stock commitments (Bonus Awards and Stock Awards) granted was based on the closing price of Siemens stock in Xetra trading on the date of commitment less the present value of dividends expected during the holding period, because beneficiaries are not entitled to receive dividends. This figure for determining the number of commitments amounted to 64.93 (prior year: 57.70).

**Total compensation** On the basis of the Supervisory Board decisions described above, Managing Board compensation for fiscal 2012 totaled 39.61 million, which is at the same level as in the previous year (2011: 39.61 million). Of this total amount, 17.45 million (2011: 18.94 million) was attributable to the cash compensation components and 22.16 million (2011: 20.68 million) to stock-based compensation. Thus, more than half of the compensation was paid in the form of stock-based instruments with waiting or restriction periods of four years and therefore on a deferred basis.

The fair values of the granted stock-based compensation component shown in the following table do not represent a cash inflow for Managing Board members for fiscal 2012. They represent the notional value of the Bonus Awards and Stock Awards granted in fiscal 2012 as calculated on the basis of reporting standards. The transfer of one share per award will not take place until the expiration of the four-year waiting or restriction period, or in other words, not until November 2016. The number of Stock Awards linked to the performance of the price of Siemens stock will be adjusted after the end of the restriction period, on the basis of the actual target attainment. Accordingly, the value of the actual shares transferred may be higher or lower than shown here, also depending on the stock price in effect at the time of transfer.

The following compensation was determined for each of the members of the Managing Board for fiscal 2012 (individualized disclosure):

	Non-performance-based components				Performance-based components without long-term incentive effect non-stock-based Variable compensation component (bonus) Cash component		Performance-based components with long-term incentive effect stock-based Variable compensation component (bonus) Bonus Awards <sup>(2)</sup>			
	Base compensation 2012	2011	Other compensation <sup>(1)</sup> 2012	2011	2012	2011	2012	2011	2012	2011
	(Amounts in number of units or )									
<b>Managing Board members serving as of September 30, 2012</b>										
Peter Löscher	2,000,000	2,000,000	30,720	29,594	1,359,900	1,973,800	20,945	1,359,959	34,208	1,973,802
Dr. Roland Busch <sup>(6, 7)</sup>	900,000	450,000	49,771	88,726	550,760	444,105	8,483	550,801	7,697	444,117
Brigitte Ederer	900,000	900,000	27,697	54,651	611,955	888,210	9,425	611,965	15,394	888,234
Klaus Helmrich <sup>(7)</sup>	900,000	450,000	76,961	35,318	611,955	444,105	9,425	611,965	7,697	444,117
Joe Kaeser <sup>(8)</sup>	900,000	900,000	72,935	72,411	611,955	888,210	9,425	611,965	15,394	888,234
Barbara Kux	900,000	900,000	33,960	168,176	611,955	888,210	9,425	611,965	15,394	888,234
Prof. Dr. Hermann Requardt <sup>(6)</sup>	900,000	900,000	64,132	62,565	673,151	888,210	10,368	673,194	15,394	888,234
Prof. Dr. Siegfried Russwurm	900,000	900,000	42,146	41,303	611,955	888,210	9,425	611,965	15,394	888,234
Peter Y. Solmssen <sup>(9)</sup>	900,000	900,000	33,498	64,720	611,955	888,210	9,425	611,965	15,394	888,234
Dr. Michael Süß <sup>(7)</sup>	900,000	450,000	49,089	13,751	611,955	444,105	9,425	611,965	7,697	444,117
<b>Former members of the Managing Board</b>										
Wolfgang Dehen <sup>(10)</sup>		450,000		25,046		444,105			7,697	444,117
<b>Total</b>	<b>10,100,000</b>	<b>9,200,000</b>	<b>480,909</b>	<b>656,261</b>	<b>6,867,496</b>	<b>9,079,480</b>	<b>105,771</b>	<b>6,867,709</b>	<b>157,360</b>	<b>9,079,674</b>



**Table of Contents**

(Continued)	Performance-based components with long-term incentive effect stock-based Stock Awards <sup>(2)</sup>								Total compensation <sup>(3)</sup>	
	2012				2011				2012	2011
	Target attainment depending on EPS for past three fiscal years		Target attainment depending on future stock performance		Target attainment depending on EPS for past three fiscal years		Target attainment depending on future stock performance			
	Shares	Fair value <sup>(4)</sup>	Shares	Fair value <sup>(5)</sup>	Shares	Fair value <sup>(4)</sup>	Shares	Fair value <sup>(5)</sup>		
<b>Managing Board members serving as of September 30, 2012</b>										
Peter Löscher	29,648	1,925,045	19,252	1,195,549	24,697	1,425,017	21,664	1,336,014	7,871,173	8,738,227
Dr. Roland Busch <sup>(6, 7)</sup>	11,859	770,005	7,701	478,232	4,940	285,038	4,333	267,215	3,299,569	1,979,201
Brigitte Ederer	11,859	770,005	7,701	478,232	9,879	570,018	8,666	534,430	3,399,854	3,835,543
Klaus Helmrich <sup>(7)</sup>	11,859	770,005	7,701	478,232	4,940	285,038	4,333	267,215	3,449,118	1,925,793
Joe Kaeser <sup>(8)</sup>	20,754	1,347,557	13,477	836,922	9,879	570,018	8,666	534,430	4,381,334	3,853,303
Barbara Kux	11,859	770,005	7,701	478,232	9,879	570,018	8,666	534,430	3,406,117	3,949,068
Prof. Dr. Hermann Requardt <sup>(6)</sup>	11,859	770,005	7,701	478,232	9,879	570,018	8,666	534,430	3,558,714	3,843,457
Prof. Dr. Siegfried Russwurm	11,859	770,005	7,701	478,232	9,879	570,018	8,666	534,430	3,414,303	3,822,195
Peter Y. Solmssen <sup>(9)</sup>	11,859	770,005	7,701	478,232	9,879	570,018	8,666	534,430	3,405,655	3,845,612
Dr. Michael Süß <sup>(7)</sup>	11,859	770,005	7,701	478,232	4,940	285,038	4,333	267,215	3,421,246	1,904,226
<b>Former members of the Managing Board</b>										
Wolfgang Dehen <sup>(10)</sup>					4,940	285,038	4,333	267,215		1,915,521
<b>Total</b>	<b>145,274</b>	<b>9,432,642</b>	<b>94,337</b>	<b>5,858,327</b>	<b>103,731</b>	<b>5,985,277</b>	<b>90,992</b>	<b>5,611,454</b>	<b>39,607,083</b>	<b>39,612,146</b>

- (1) Other compensation includes costs, or the cash equivalent, of non-monetary benefits and perquisites, such as provision of Company cars in the amount of 257,855 (2011: 212,641), contributions toward the cost of insurance in the amount of 87,429 (2011: 72,964), reimbursement of fees for legal advice, tax advice and accommodation and moving expenses, including any taxes that have been assumed in this regard, as well as costs connected with preventive medical examinations, in the amount of 135,625 (2011: 370,656).
- (2) The expenses recognized for stock-based compensation (Bonus Awards and Stock Awards) and for the Share Matching Plan for members of the Managing Board in accordance with IFRS in fiscal 2012 and 2011 amounted to 15,995,543 and 15,193,559, respectively. The following amounts pertained to the members of the Managing Board in fiscal 2012: Peter Löscher 3,757,710 (2011: 4,042,438), Dr. Roland Busch 735,167 (2011: 285,356), Brigitte Ederer 950,250 (2011: 766,761), Klaus Helmrich 735,167 (2011: 285,356), Joe Kaeser 1,781,626 (2011: 1,770,429), Barbara Kux 1,493,576 (2011: 1,290,005), Prof. Dr. Hermann Requardt 1,605,244 (2011: 1,741,299), Prof. Dr. Siegfried Russwurm 1,571,872 (2011: 1,701,676), Peter Y. Solmssen 1,566,372 (2011: 1,696,632) and Dr. Michael Süß 735,167 (2011: 285,356). The corresponding expenses for the former Board member Wolfgang Dehen amounted to 1,063,392 (2011: 1,328,251).
- (3) The total compensation reflects the current fair value of stock-based compensation components. On the basis of the current monetary values of stock-based compensation components, total compensation amounted to 39,874,058 (2011: 39,250,929).
- (4) For Bonus Awards as well as Stock Awards, whose target attainment depends on EPS for the past three fiscal years, the fair value on the award date is equivalent to the respective monetary values.
- (5) The monetary values reflecting a target attainment of 100% amount to 6,125,302 (2011: 5,250,237). For the individual members of the Managing Board, that value was: Peter Löscher 1,250,032 (2011: 1,250,013), Dr. Roland Busch 500,026 (2011: 250,014), Brigitte Ederer 500,026 (2011: 500,028), Klaus Helmrich 500,026 (2011: 250,014), Joe Kaeser 875,062 (2011: 500,028), Barbara Kux 500,026 (2011: 500,028), Prof. Dr. Hermann Requardt 500,026



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(2011: 500,028), Prof. Dr. Siegfried Russwurm 500,026 (2011: 500,028), Peter Y. Solmssen 500,026 (2011: 500,028) and Dr. Michael Süß 500,026 (2011: 250,014). The corresponding monetary value for the former Board member Wolfgang Dehen amounted to 0 (2011: 250,014).

- (6) The Supervisory Board adjusted the bonus payout amounts resulting from target attainment individually as follows: Dr. Roland Busch by 10% downward, equivalent to 122,391 and Prof. Dr. Hermann Requardt by 10% upward, equivalent to 122,391.
- (7) Dr. Roland Busch, Klaus Helmrich and Dr. Michael Süß were elected full members of the Managing Board effective April 1, 2011.
- (8) The Supervisory Board increased the annual target amount for the monetary value of the Stock Awards commitment for Joe Kaeser for fiscal 2012 by 75% to 1,750,000.
- (9) Peter Y. Solmssen will be reimbursed for relocation expenses incurred by him upon termination of his membership on the Managing Board of Siemens AG.
- (10) Wolfgang Dehen resigned from the Managing Board effective March 31, 2011.  
Due to rounding, numbers presented may not add up precisely to totals provided.

**Table of Contents**

**Pension benefit commitments** For fiscal 2012, the members of the Managing Board were granted contributions under the BSAV totaling 5.7 million (2011: 5.2 million), based on the resolution of the Supervisory Board dated November 7, 2012. Of this amount, 0.1 million (2011: 0.1 million) related to funding of pension commitments earned prior to transfer to the BSAV and the remaining 5.6 million (2011: 5.1 million) to contributions to their personal pension accounts.

The contributions under the BSAV are added to the personal pension accounts each January following the close of the fiscal year, with value date on January 1. Until the beneficiary's time of retirement, the pension account is credited with an annual interest payment (guaranteed interest), currently 1.75%, on January 1 of each year.

The following table shows individualized details of the contributions (additions) under the BSAV for fiscal 2012 as well as the defined benefit obligations for the pension commitments:

	Total contributions <sup>(1)</sup> for		Defined benefit obligation <sup>(2)</sup> for all pension commitments excluding deferred compensation <sup>(3)</sup>	
	2012	2011	2012	2011
	(Amounts in €)			
<b>Managing Board members serving as of September 30, 2012</b>				
Peter Löscher	1,120,000	1,120,000	14,717,395 <sup>(2)</sup>	13,047,084 <sup>(2)</sup>
Dr. Roland Busch <sup>(4)</sup>	504,000	252,000	1,446,910	833,494
Brigitte Ederer	504,000	504,000	1,102,958	606,730
Klaus Helmrich <sup>(4)</sup>	504,000	252,000	1,723,759	1,098,440
Joe Kaeser	504,000	504,000	4,388,859	3,351,837
Barbara Kux	504,000	504,000	2,201,963 <sup>(2)</sup>	1,651,873 <sup>(2)</sup>
Prof. Dr. Hermann Requardt	504,000	504,000	4,433,581	3,498,238
Prof. Dr. Siegfried Russwurm	504,000	504,000	2,893,761	2,204,829
Peter Y. Solmssen	504,000	504,000	14,862,470 <sup>(2)</sup>	13,689,050 <sup>(2)</sup>
Dr. Michael Süß <sup>(4)</sup>	504,000	252,000	1,789,619	1,253,272
<b>Former members of the Managing Board</b>				
Wolfgang Dehen <sup>(5)</sup>		252,000	2,374,826	2,166,086
<b>Total</b>	<b>5,656,000</b>	<b>5,152,000</b>	<b>51,936,101</b>	<b>43,400,933</b>

(1) The expenses (service costs) recognized in accordance with IFRS in fiscal 2012 for Managing Board members' entitlements under the BSAV in fiscal 2012 came to 6,152,011 (2011: 4,521,763). The following amounts pertained to the members of the Managing Board in fiscal 2012: Peter Löscher 1,235,653 (2011: 1,237,034), Dr. Roland Busch 547,713 (2011: 48,829), Brigitte Ederer 552,904 (2011: 479,838), Klaus Helmrich 547,675 (2011: 69,807), Joe Kaeser 530,970 (2011: 457,947), Barbara Kux 552,800 (2011: 479,082), Prof. Dr. Hermann Requardt 526,202 (2011: 452,475), Prof. Dr. Siegfried Russwurm 546,850 (2011: 472,594), Peter Y. Solmssen 553,236 (2011: 480,280) and Dr. Michael Süß 558,008 (2011: 120,802), in addition to 0 (2011: 223,075) for former Managing Board member Wolfgang Dehen.

(2) The defined benefit obligations reflect one-time special contributions of 19,358,000 for new appointments from outside the company, including 8,500,000 for Peter Löscher, 10,518,000 for Peter Y. Solmssen and 340,000 for Barbara Kux. The defined benefit obligations under all pension commitments including deferred compensation to Managing Board members serving as of September 30, 2011, came to 47.0 million, in addition to 2.2 million for former Managing Board member Wolfgang Dehen.

(3) Deferred compensation totals 7,543,061 (2011: 5,814,318), including 269,147 for Klaus Helmrich (2011: 234,828), 2,755,189 for Joe Kaeser (2011: 2,396,726), 3,280,486 for Barbara Kux (2011: 2,096,825) and 1,238,239 for Prof. Dr. Hermann Requardt (2011: 1,085,939).

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(4) Dr. Roland Busch, Klaus Helmrich and Dr. Michael Süß were elected full members of the Managing Board effective April 1, 2011.

(5) Wolfgang Dehen resigned from the Managing Board effective March 31, 2011.  
Due to rounding, numbers presented may not add up precisely to totals provided.

**Table of Contents**

Former members of the Managing Board and their surviving dependents received emoluments within the meaning of Section 314 para. 1 No. 6 b of the German Commercial Code (HGB) totaling 15.8 million (2011: 15.0 million) in fiscal 2012, but no Stock Awards (2011: no Stock Awards).

The defined benefit obligation (DBO) of all pension commitments to former members of the Managing Board and their surviving dependents as of September 30, 2012, amounted to 181.6 million (2011: 161.9 million). This amount is included in Item 18: Financial Statements Notes to Consolidated Financial Statements.

**Other** No loans or advances from the Company are provided to members of the Managing Board.

**ADDITIONAL INFORMATION ON STOCK-BASED COMPENSATION INSTRUMENTS IN FISCAL 2012**

This section provides information concerning the Stock Awards and stock options held by members of the Managing Board that were components of stock-based compensation in fiscal 2012 and prior years, and also about the Managing Board members' entitlements to matching shares under the Siemens Share Matching Plan.

**Stock Commitments** The following table shows the changes in the stock commitments (Bonus Awards and Stock Awards) held by Managing Board members in fiscal 2012:

	Balance at beginning of fiscal 2012		Granted during fiscal year <sup>(1)</sup>		Vested during fiscal year	Forfeited during fiscal year	Balance at end of fiscal 2012 <sup>(2)</sup>	
			Forfeitable commitments of Stock Awards					
			(Target attainment depending on EPS for past three fiscal years)	(Target attainment depending on future stock performance)	Commitments of Bonus Awards and Stock Awards	Commitments of Bonus Awards and Stock Awards		
	Non-forfeitable commitments of Bonus Awards	Non-forfeitable commitments of Stock Awards				Non-forfeitable commitments of Bonus Awards	Non-forfeitable commitments of Stock Awards	
			(Amounts in number of units)					
<b>Managing Board members serving as of September 30, 2012</b>								
Peter Löscher	144,180	34,208	24,697	21,664	66,402		34,208	124,139
Dr. Roland Busch <sup>(3)</sup>	8,042	7,697	6,076	5,330	2,958		7,697	16,490
Brigitte Ederer	12,422	15,394	9,879	8,666	4,179		15,394	26,788
Klaus Helmrich <sup>(3)</sup>	11,816	7,697	6,540	5,737	4,257		7,697	19,836
Joe Kaeser	57,673	15,394	9,879	8,666	26,561		15,394	49,657
Barbara Kux	29,055	15,394	9,879	8,666			15,394	47,600
Prof. Dr. Hermann Requardt	57,673	15,394	9,879	8,666	26,561		15,394	49,657
Prof. Dr. Siegfried Russwurm	57,673	15,394	9,879	8,666	26,561		15,394	49,657
Peter Y. Solmsen	57,673	15,394	9,879	8,666	26,561		15,394	49,657
Dr. Michael Stieß <sup>(3)</sup>	20,435	7,697	7,118	6,244	8,884		7,697	24,913
<b>Former members of the Managing Board</b>								
Wolfgang Dehen <sup>(4)</sup>	57,673	7,697	4,940	4,333	26,561		7,697	40,385
<b>Total</b>	<b>514,315</b>	<b>157,360</b>	<b>108,645</b>	<b>95,304</b>	<b>219,485</b>		<b>157,360</b>	<b>498,779</b>

(1) The weighted average fair value as of the grant date for fiscal 2012 was 58.75 per granted share.

(2) Amounts do not include stock commitments (Bonus Awards and Stock Awards) granted in November 2012 for fiscal 2012. For details, see above. However, these amounts may include Stock Awards received as compensation by the Managing Board member before joining the Managing Board.

(3) Dr. Roland Busch, Klaus Helmrich and Dr. Michael Süß were elected full members of the Managing Board effective April 1, 2011.

(4) Wolfgang Dehen resigned from the Managing Board effective March 31, 2011. Because he changed positions within the Corporate Group, his awards remain in effect under the applicable guidelines.

**Stock options** The authorization to issue stock options expired in December 2006. On completion of a two-year vesting period, plan participants were entitled to exercise their subscription rights within a three-year period. Allowing for the vesting period, the last options were exercised in fiscal 2011. Any options still unexercised expired that same year. Consequently no options were outstanding either as of September 30, 2012, or in the prior year.

**Table of Contents**

**Shares from the Share Matching Plan** In fiscal 2011, the members of the Managing Board were entitled for the last time to participate in the Siemens Share Matching Plan, and under the plan were entitled to invest up to 50% of the annual gross amount of their variable cash compensation component (bonus) determined for fiscal 2010 in Siemens shares. After expiration of a vesting period of approximately three years, plan participants will receive one free matching share of Siemens stock for every three Siemens shares acquired and continuously held under the plan, provided the participants were employed without interruption at Siemens AG or a Siemens company until the end of the vesting period. The following table shows the development of the matching share entitlements of the individual members of the Managing Board in fiscal 2012.

	Balance at beginning of fiscal 2012 <sup>(1)</sup> Entitlement to matching shares	Due during fiscal year Entitlement to matching shares	Forfeited during fiscal year Entitlement to matching shares	Balance at end of fiscal 2012 <sup>(1)(2)</sup> Entitlement to matching shares
(Amounts in number of units)				
<b>Managing Board members serving as of September 30, 2012</b>				
Peter Löscher				
Dr. Roland Busch <sup>(3)</sup>	868	802		66
Brigitte Ederer	560	560		
Klaus Helmrich <sup>(3)</sup>	1,131	1,128		3
Joe Kaeser	7,661	3,855		3,806
Barbara Kux	698			698
Prof. Dr. Hermann Requardt	5,641	3,288		2,413
Prof. Dr. Siegfried Russwurm	5,459	4,926		533
Peter Y. Solmssen	6,051	6,051		
Dr. Michael Süß <sup>(3)</sup>				
<b>Former members of the Managing Board</b>				
Wolfgang Dehen <sup>(4)</sup>	5,845	4,140		1,705
<b>Total</b>	<b>33,914</b>	<b>24,690</b>		<b>9,224</b>

(1) Amounts may include entitlements acquired before the member joined the Managing Board.

(2) The entitlements of the Managing Board members serving in fiscal 2012 had the following fair values: Peter Löscher 0 (2011: 0), Dr. Roland Busch 3,464 (2011: 21,039), Brigitte Ederer 0 (2011: 11,958), Klaus Helmrich 527 (2011: 25,059), Joe Kaeser 222,277 (2011: 305,003), Barbara Kux 33,282 (2011: 33,282), Prof. Dr. Hermann Requardt 140,823 (2011: 210,169), Prof. Dr. Siegfried Russwurm 25,487 (2011: 131,068), Peter Y. Solmssen 0 (2011: 129,588), and Dr. Michael Süß 0 (2011: 0). The entitlement of former Managing Board member Wolfgang Dehen has the following fair value: 80,815 (2011: 169,623). The above fair values also take into account that the shares acquired under the Base Share Program as part of the Share Matching Plan were provided with a Company subsidy (for additional information on the Base Share Program see Item 18: Financial Statements Notes to Consolidated Financial Statements).

(3) Dr. Roland Busch, Klaus Helmrich and Dr. Michael Süß were elected full members of the Managing Board effective April 1, 2011.

(4) Wolfgang Dehen resigned from the Managing Board effective March 31, 2011. Because he changed positions within the Corporate Group, his entitlements remain in effect under the applicable guidelines.

**Table of Contents**

**Share Ownership Guidelines** Different deadlines apply for the individual members of the Managing Board to provide their first-time proof of compliance with the Siemens Share Ownership Guidelines, depending on the date when the member was appointed to the Managing Board. The following table shows the number of Siemens shares held by Managing Board members as of the deadline in March 2012 for showing compliance with the Share Ownership Guidelines, and the number of Siemens shares to be held permanently with a view to future deadlines.

	Obligation under Share Ownership Guidelines		
	Required value <sup>(1)</sup>	Required number of shares <sup>(2)</sup>	Proven number of shares <sup>(3)</sup>
(Amounts in number of units or )			
<b>Managing Board members required to show proof as of March 9, 2012</b>			
Peter Löscher	5,961,250	81,874	144,419
Joe Kaeser	1,645,000	22,593	58,170
Prof. Dr. Hermann Requardt	1,645,000	22,593	48,093
Prof. Dr. Siegfried Russwurm	1,645,000	22,593	49,197
Peter Y. Solmssen	1,645,000	22,593	50,522
<b>Total</b>	<b>12,541,250</b>	<b>172,246</b>	<b>350,401</b>

(1) The amount of the obligation is based on a member's average base compensation for the four years prior to each review of his or her achievement of the targets defined by the Share Ownership Guidelines.

(2) Based on the average XETRA opening price of 72.81 for the fourth quarter of 2011 (October - December)

(3) As per March 9, 2012 (date of proof), including 2011 Bonus Awards

The following table shows the proof-of-compliance obligations of the other Managing Board members in view of the Share Ownership Guidelines:

	Obligation under Share Ownership Guidelines		
	Required value <sup>(1)</sup>	Required number of shares <sup>(2)</sup>	Due date for initial measurement of adherence
(Amounts in number of units or )			
<b>Managing Board members required to show proof in subsequent years</b>			
Dr. Roland Busch	1,800,000	24,722	March 2016
Brigitte Ederer	1,800,000	24,722	March 2015
Klaus Helmrich	1,800,000	24,722	March 2016
Barbara Kux	1,705,000	23,417	March 2013
Dr. Michael Süß	1,800,000	24,722	March 2016
<b>Total</b>	<b>8,905,000</b>	<b>122,305</b>	

(1) The amount of the obligation is based on a member's average base compensation for the four years prior to each review of his or her achievement of the targets defined by the Share Ownership Guidelines. The amount shown here is based on average base compensation since the member's initial appointment.

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(2) Based on the average XETRA opening price of 72.81 for the fourth quarter of 2011 (October - December)

### **REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD**

The current remuneration policies for the Supervisory Board were authorized at the Annual Shareholders Meeting held on January 25, 2011. Details are set out in Section 17 of the Articles of Association of Siemens AG. The remuneration of the Supervisory Board consists entirely of fixed compensation. The remuneration of the members of the Supervisory Board reflects the responsibilities and scope of work of the Supervisory Board members. The Chairman and deputy chairmen of the Supervisory Board, as well as the Chairmen and members of the Audit Committee and the Chairman's Committee, and to a lesser degree the Compliance Committee and the Finance and Investment Committee, receive additional compensation.



**Table of Contents**

According to current rules, members of the Supervisory Board receive an annual base compensation of 140,000; the Chairman of the Supervisory Board receives a base compensation of 280,000, and each of the deputy chairmen receives 220,000.

The members of the Supervisory Board committees receive the following additional fixed compensation for their work on those committees: The Chairman of the Audit Committee receives 160,000, and each of the other members receives 80,000; the Chairman of the Chairman's Committee receives 120,000, and each of the other members receives 80,000; the Chairman of the Finance and Investment Committee receives 80,000, and each of the other members receives 40,000; the Chairman of the Compliance Committee receives 80,000, and each of the other members receives 40,000. However, no additional compensation is paid for work on the Compliance Committee if a member of that committee is already entitled to compensation for work on the Audit Committee.

If a Supervisory Board member does not attend a meeting of the Supervisory Board, one third of the aggregate compensation due to that member is reduced by the percentage of Supervisory Board meetings not attended by the member in relation to the total number of Supervisory Board meetings held during the fiscal year.

In addition, the members of the Supervisory Board are entitled to receive a meeting attendance fee of 1,500 for each meeting of the Supervisory Board and its committees that they attend.

The members of the Supervisory Board are reimbursed for out-of-pocket expenses incurred in connection with their duties and for any value-added tax to be paid on their remuneration. For the performance of his duties, the Chairman of the Supervisory Board is furthermore entitled to an office with secretarial support and use of the Siemens carpool service.

No loans or advances from the Company are provided to members of the Supervisory Board.

The following compensation was determined for each of the members of the Supervisory Board for fiscal 2012 (individualized disclosure):

	Base compensation	2012 Additional compensation for committee work <sup>(1)</sup>	Total	Base compensation	2011 Additional compensation for committee work	Total
	(Amounts in )					
<b>Supervisory Board members serving as of September 30, 2012</b>						
Dr. Gerhard Cromme	280,000	280,000	560,000	280,000	280,000	560,000
Berthold Huber <sup>(2)</sup>	220,000	80,000	300,000	210,833	76,667	287,500
Dr. Josef Ackermann	207,778	75,556	283,333	210,833	76,667	287,500
Lothar Adler <sup>(2)</sup>	140,000	160,000	300,000	140,000	160,000	300,000
Jean-Louis Beffa	132,222	37,778	170,000	140,000	40,000	180,000
Gerd von Brandenstein	140,000	40,000	180,000	134,167	38,333	172,500
Michael Diekmann	140,000		140,000	134,167		134,167
Dr. Hans Michael Gaul	140,000	160,000	300,000	140,000	160,000	300,000
Prof. Dr. Peter Gruss	140,000		140,000	128,333		128,333
Bettina Haller <sup>(2)</sup>	140,000	80,000	220,000	140,000	80,000	220,000
Hans-Jürgen Hartung <sup>(2)</sup>	140,000		140,000	140,000		140,000
Harald Kern <sup>(2)</sup>	140,000		140,000	140,000		140,000
Jürgen Kerner <sup>(2, 3)</sup>	105,000	90,000	195,000			
Dr. Nicola Leibinger-Kammüller	132,222		132,222	128,333		128,333
Werner Mönius <sup>(2)</sup>	140,000	40,000	180,000	140,000	40,000	180,000
Håkan Samuelsson	140,000	40,000	180,000	128,333	36,667	165,000
Dr. Rainer Sieg	140,000		140,000	140,000		140,000
Birgit Steinborn <sup>(2)</sup>	140,000	120,000	260,000	140,000	120,000	260,000
Lord Iain Vallance of Tummel	140,000	80,000	220,000	140,000	80,000	220,000
Sibylle Wanke <sup>(2)</sup>	140,000	40,000	180,000	140,000	40,000	180,000
<b>Former Supervisory Board members</b>						
Dieter Scheitor <sup>(2, 3)</sup>	46,667	40,000	86,667	140,000	120,000	260,000
<b>Total</b>	<b>3,083,889</b>	<b>1,363,333</b>	<b>4,447,222<sup>(4)</sup></b>	<b>3,034,999</b>	<b>1,348,334</b>	<b>4,383,333<sup>(4)</sup></b>

- (1) Dr. Gerhard Cromme as Chairman of the Supervisory Board and of the Chairman's Committee, the Compliance Committee, and the Finance and Investment Committee, as well as a member of the Audit Committee; Berthold Huber as Deputy Chairman of the

## **Table of Contents**

Supervisory Board and member of the Chairman's Committee; Dr. Josef Ackermann as Deputy Chairman of the Supervisory Board and member of the Chairman's Committee; Lothar Adler as member of the Chairman's Committee, the Compliance Committee and the Finance and Investment Committee; Jean-Louis Beffa as member of the Finance and Investment Committee; Gerd von Brandenstein as member of the Finance and Investment Committee; Dr. Hans Michael Gaul as Chairman of the Audit Committee and member of the Compliance Committee; Bettina Haller as member of the Audit Committee and the Compliance Committee; Jürgen Kerner as member of the Audit Committee and the Finance and Investment Committee; Werner Mönius as member of the Finance and Investment Committee; Håkan Samuelsson as member of the Finance and Investment Committee; Dieter Scheitor as member of the Audit Committee and the Finance and Investment Committee; Birgit Steinborn as member of the Audit Committee and the Finance and Investment Committee; Lord Iain Vallance of Tummel as member of the Audit Committee and the Compliance Committee; and Sibylle Wankel as member of the Compliance Committee, each received an additional fixed compensation for their committee work.

- (2) Both the employee representatives on the Supervisory Board who represent the employees pursuant to Section 3 (1) No. 1 of the German Codetermination Act (Mitbestimmungsgesetz, MitbestG) and the representatives of the trade unions on the Supervisory Board declared their readiness to transfer their compensation to the Hans Boeckler Foundation, in accordance with the guidelines of the Confederation of German Trade Unions (DGB).
- (3) Jürgen Kerner succeeded Dieter Scheitor on the Supervisory Board by court-ordered appointment as of the end of the day of the Annual Shareholders Meeting on January 24, 2012.
- (4) In addition, the members of the Supervisory Board are entitled to receive a meeting attendance fee of 1,500 (2011: 1,500) for each meeting of the Supervisory Board and its committees that they attend. In fiscal 2012, Dr. Gerhard Cromme received meeting fees of 48,000 (2011: 46,500), Dr. Hans Michael Gaul received meeting fees of 34,500 (2011: 30,000), Lothar Adler received meeting fees of 30,000 (2011: 34,500), Bettina Haller received meeting fees of 25,500 (2011: 30,000), Lord Iain Vallance of Tummel received meeting fees of 25,500 (2011: 28,500), Dr. Josef Ackermann received meeting fees of 22,500 (2011: 19,500), Birgit Steinborn received meeting fees of 22,500 (2011: 30,000), Berthold Huber received meeting fees of 18,000 (2011: 19,500), Sibylle Wankel received meeting fees of 16,500 (2011: 18,000), Gerd von Brandenstein received meeting fees of 13,500 (2011: 16,500), Werner Mönius received meeting fees of 13,500 (2011: 18,000), Håkan Samuelsson received meeting fees of 13,500 (2011: 13,500), Jürgen Kerner received meeting fees of 12,000 (2011: 0), Dieter Scheitor received meeting fees of 10,500 (2011: 30,000), Jean-Louis Beffa received meeting fees of 9,000 (2011: 16,500), Michael Diekmann received meeting fees of 9,000 (2011: 10,500), Prof. Dr. Peter Gruss received meeting fees of 9,000 (2011: 9,000), Hans-Jürgen Hartung received meeting fees of 9,000 (2011: 12,000), Harald Kern received meeting fees of 9,000 (2011: 12,000), Dr. Rainer Sieg received meeting fees of 9,000 (2011: 12,000) and Dr. Nicola Leibinger-Kammüller received meeting fees of 7,500 (2011: 9,000).

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

## **OTHER**

The Company provides a group insurance policy for board and committee members and certain employees of the Siemens organization that is taken out for one year and renewed annually. The insurance covers the personal liability of the insured in the case of a financial loss associated with employment functions. The insurance policy for fiscal 2012 includes a deductible for the members of the Managing Board and the Supervisory Board in compliance with the requirements of the German Stock Corporation Act and the German Corporate Governance Code.

## **STOCK-BASED COMPENSATION**

### **STOCK OPTION PLAN**

We had a stock option plan, the 2001 Stock Option Plan under which options were granted to members of our Managing Board, members of senior management of Siemens AG and of our domestic and foreign subsidiaries, and other eligible employees. The authority to distribute options under this plan expired on December 13, 2006. Accordingly, no options were issued during fiscal 2012, 2011 and 2010. The last outstanding options under this plan expired on November 18, 2010. For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

### **STOCK AWARDS**

In November 2004, we introduced Stock Awards as another means of providing stock-based compensation to our Managing Board, members of senior management of Siemens AG and of our domestic and foreign subsidiaries, and other eligible employees. Stock awards are commitments to issue or transfer shares of Siemens



**Table of Contents**

AG to the grantee. Generally, each Stock Award is subject to a restriction period of about four years; Stock Awards granted between October 1, 2007 and September 30, 2011, however, are subject to a shorter restriction period of three years. Upon expiration of the restriction period, the grantee receives a corresponding number of shares of Siemens AG without additional payment.

Stock Awards cannot be transferred, sold, pledged or otherwise encumbered. They can be inherited only by spouses or - in the absence of a spouse - by children of the grantee. Stock Awards are not entitled to dividends paid during the restriction period.

Until the end of fiscal 2010, the Supervisory Board decided annually after the end of each fiscal year at its discretion how many Stock Awards to grant to members of the Managing Board. Starting with fiscal 2011, the Supervisory Board established mandatory rules for the grant of Stock Awards, rendering this remuneration component fully performance-related. Further, under the remuneration system, half of the variable compensation component (bonus) for members of the Managing Board is settled in the form of non-forfeitable stock awards (Bonus Awards). Contingent on target attainment measured after the end of each fiscal year, the Supervisory Board decides on the number of Bonus and Stock Awards to be granted to each member of the Managing Board. For further details, including the applicable target system, the number of Bonus and Stock Awards granted to the individual members of our Managing Board and the Bonus and Stock Awards respective fair values, see Compensation report.

The Managing Board decides annually how many Stock Awards to grant to members of senior management of Siemens AG and our domestic and foreign subsidiaries, and other eligible employees. As a rule, Stock Awards may be granted only once a year within 30 days after publication of Siemens annual results, and, starting with fiscal 2012, the grant of these Stock Awards is fully performance-related. One portion of the Stock Awards granted depends on the degree to which an earnings-per-share target is attained, determined on the basis of the average basic earnings per share for the past three years preceding the grant. After the end of each fiscal year, the Managing Board determines the degree of target attainment with binding effect. The other portion of the Stock Awards granted depends on the performance of the share price of Siemens during the restriction period in comparison to the performance of the share prices of certain Siemens competitors.

In November 2012, the Company decided to award a total of 2,503,461 Stock Awards with a commitment date of November 9, 2012 of which 345,382 Stock Awards were awarded to members of our Managing Board and 2,158,079 Stock Awards were awarded to members of senior management of Siemens AG and of domestic and foreign subsidiaries, and other eligible employees of the Company.

The monetary value of the Bonus Awards and Stock Awards is recorded at the market price of the Siemens share on the commitment date less the present value of dividends expected during the waiting respectively restriction period, considering market conditions (if applicable). The following table sets forth information relating to the Stock Awards awarded during fiscal 2013, 2012 and 2011:

	2013	2012	2011
Number of Stock Awards	2,503,461	2,407,834	1,372,306
Monetary value per Stock Award	63.86	59.41	77.76
Total monetary value of Stock Awards	159.9 million	143.1 million	106.7 million

Stock Awards may be settled in newly issued shares of common stock of Siemens AG from authorized capital which may be reserved for this purpose, in treasury stock or in cash. The settlement method will be determined subsequently by the Managing Board and the Supervisory Board.

**SHARE MATCHING PLAN**

Since fiscal year 2009, the members of the Managing Board as well as certain members of senior management of Siemens AG and of our domestic and foreign subsidiaries, and other eligible employees of the Siemens group (the Plan Participants ) may also participate in a Share Matching Plan (the Plan ). In fiscal 2011, members of the Managing Board were for the last time permitted to invest a specified amount of their bonus payout relating to fiscal 2010 in Siemens shares under the Plan.

## **Table of Contents**

After expiration of a three-year vesting period, each Plan Participant is entitled to receive, without further payment, one matching share of Siemens stock for every three Siemens shares acquired and continuously held under the Plan. With the decision on their investment amount in December 2011, all Plan Participants acquired a total amount of 2,119,061 investment shares of Siemens stock under the Plan and, accordingly, are entitled to receive a total amount of 706,354 matching shares upon expiration of the three-year vesting period, provided that the shares were continuously held, for the duration of the vesting period. For further details, including the number of matching share entitlements of the individual members of our Managing Board under the Plan, see Item 6: Directors, senior management and employees Compensation report.

## **SHARE OWNERSHIP**

As of October 12, 2012, the current Managing Board members held a total of 430,008 (2011: 441,061) Siemens shares as well as stock awards on Siemens shares (exercisable within sixty days), representing less than 0.05% (2011: 0.05%) of the capital stock of Siemens AG which totaled 881,000,000 (2011: 914,203,421). As of the same day, the current members of the Supervisory Board held Siemens shares as well as stock awards on Siemens shares (exercisable within sixty days) representing less than 0.01% (2011: 0.01%) of the capital stock of Siemens AG which totaled 881,000,000 (2011: 914,203,421). These figures do not include 11,454,464 (2011: 11,715,342) shares, or 1.30% (2011: 1.28%) of the capital stock which totaled 881,000,000 (2011: 914,203,421), over which the von Siemens-Vermögensverwaltung GmbH (vSV), a German limited liability company, has voting control under powers of attorney based on an agreement between among others members of the Siemens family, including Mr. Gerd von Brandenstein, and vSV. These shares are voted together by vSV based on proposals by the family partnership established by the Siemens family or by one of its committees representing members of the Siemens family. Mr. Gerd von Brandenstein is the current chairman of the executive committee and has a deciding vote in case of a deadlock. The vSV is described in more detail under Item 7: Major shareholders and related party transactions Major shareholders.

Pursuant to Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz), members of the Managing and Supervisory Boards are required to disclose purchases or sales of shares of Siemens AG or financial instruments based on such shares if the total amount of transactions of a board member and any closely associated person is at least 5,000 during any calendar year. Any transactions reported to Siemens AG in accordance with this requirement were duly published and can be found on the Company's internet website at [www.siemens.com/directors-dealings](http://www.siemens.com/directors-dealings). For more information on this disclosure requirement, see Item 10: Additional information Articles of Association and relevant provisions of German law Disclosure requirement.

**Table of Contents**

**ITEM 7: MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

**MAJOR SHAREHOLDERS**

The von Siemens Vermögensverwaltung GmbH (vSV) is a German limited liability company and party to an agreement with, among others, members of the Siemens family (family agreement). In order to bundle and represent their interests, the family established a family partnership. As of October 22, 2012, the vSV held, on a sustained basis, powers of attorney allowing it to vote for approximately 1.30% of our outstanding shares on behalf of members of the Siemens family. The family partnership or one of its committees makes proposals to the vSV with respect to the exercise of voting rights at Shareholders' Meetings of the Company, which are taken into account by the vSV when acting within the bounds of its professional discretion. One of these committees is the executive committee, which is currently chaired by Mr. Gerd von Brandenstein, who is also a member of our Supervisory Board; he has a casting vote in the committee in case of a deadlock.

Relevant notification thresholds under the German Securities Trading Act (Wertpapierhandelsgesetz) are set at 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the share capital, but not for fluctuations between any such amounts. To our knowledge and based on public filings, other than described below there is no other single person that may be considered a beneficial owner of 5% or more of our outstanding shares.

On October 29, 2012, correcting a notice originally dated March 28, 2012, BlackRock Holdco 2, Inc., Wilmington, USA, notified us directly and via its subsidiary BlackRock Financial Management, Inc., New York, USA, that it held, directly or indirectly, 45,863,109 shares, or 5.02% of our common shares as of September 1, 2011. We have received no further notification from BlackRock Holdco 2, Inc. since that date.

On August 23, 2011, BlackRock, Inc., New York, USA, notified us that it held, directly or indirectly, 45,775,458 shares, or 5.01% of our common shares as of August 17, 2011. We have received no further notification from BlackRock, Inc. since that date.

On May 10, 2012, the State of Qatar, Doha, Qatar, acting by and through DIC Company Limited, George Town, Grand Cayman, notified us that it held 27,758,338 shares, or 3.04% of our common shares as of May 7, 2012. We have received no further notification since that date.

The Werner Siemens Stiftung Zug, Switzerland, a family-sponsored foundation, has notified us that as of January 2, 2008, it held 27,739,285 shares, or 3.03% of our common shares, thus exceeding the 3% reporting threshold set forth in the German Securities Trading Act. We have received no further notification since that date.

In addition, there are entities, mostly investment management companies, banks or other financial institutions, which according to information they provided to us at various points over the last three fiscal years reached, exceeded or fell below the reporting threshold set forth in the German Securities Trading Act. Such information has been made publicly available.

As of September 30, 2012, we held 24,725,674 shares, or 2.81% of our common shares, which we had repurchased and held as treasury shares. For further information on share repurchases, see Item 10: Additional information Articles of Association and relevant provisions of German law Repurchase of our own shares and Item 16E: Purchases of equity securities by the issuer and affiliated purchasers. For further information on shares held in treasury, see Item 18: Financial Statements Notes to Consolidated Financial Statements.

Based on our share register, we had 739,691 shareholders of record as of September 30, 2012, and U.S. record holders held approximately 12.35% of our common shares at that date. In addition, the records of the depository under our ADR Program, Deutsche Bank, show that there were 478 registered holders of our American Depositary Shares (ADSs) at that date. In August 2012, we commissioned an analysis of our shareholder structure, which showed that shareholders in the U.S. held roughly 16% of our share capital outstanding as of August 31, 2012.

## **Table of Contents**

### **RELATED PARTY TRANSACTIONS**

As reflected in the information in the tables above under Item 6: Directors, senior management and employees Management Supervisory Board and Managing Board, some of our board members hold, or in the last year have held, positions of significant responsibility with other entities. We have relationships with almost all of these entities in the ordinary course of our business whereby we buy and sell a wide variety of products and services on arm's length terms. Until the close of the annual general meeting of Deutsche Bank AG on May 31, 2012, Dr. Josef Ackermann was the Chairman of the Management Board of Deutsche Bank AG. Our transactions with Deutsche Bank Group are conducted on arm's length basis and include securities underwriting, other investment banking services, and credit, money market and foreign exchange business as well as transaction banking services. Michael Diekmann is the Chairman of the Board of Management of Allianz SE. Our transactions with Allianz Group are conducted on arm's length basis and include insurance business and asset management.

During the last fiscal year, there were no loans outstanding to members of our management.

A company that is owned by the brother of one of the employee representatives on Siemens Supervisory Board provided commercial interior planning and decorating services to Siemens for compensation of approximately 134,000 in fiscal 2011.

We have relationships with many joint ventures and associates in the ordinary course of business whereby we buy and sell a wide variety of products and services generally on arm's length terms. For information regarding our subsidiaries, joint ventures and associated companies in fiscal 2012, see Item 18: Financial Statements Notes to Consolidated Financial Statements and Item 19: Exhibits List of subsidiaries and associated companies.

As of September 30, 2012 and 2011, loans given to joint ventures and associates amounted to 60 million and 158 million, respectively. In December 2010, Siemens and Nokia Corporation each converted 266 million of liabilities into preferred NSN shares; the liabilities included the remaining shareholder loan tranche of nominal 250 million as well as deferred interest due from NSN. In the fourth quarter of fiscal 2011, in order to strengthen NSN's financial position, Nokia and Siemens each provided new equity of 500 million and received preferred shares in return. The increase in equity did not change the existing shareholder ratio between Siemens and Nokia Corporation.

For additional information, see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 38.

### **ITEM 8: FINANCIAL INFORMATION**

Information required by this Item is incorporated by reference to Item 4: Information on the Company Legal proceedings, Item 5: Operating and financial review and prospects and Item 18: Financial Statements.

### **ITEM 9: THE OFFER AND LISTING**

#### **TRADING MARKETS**

The principal trading market for our shares is the Frankfurt Stock Exchange. Our shares are also traded on the other German stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart and on the London Stock Exchange and the Swiss Stock Exchange in Zurich. In addition, we were notified by the Italian stock exchange that our shares have been admitted to trading on the MTA International in Milan. The ADRs of Siemens AG, each evidencing one ADS, which represents one share, trade on the New York Stock Exchange under the symbol SI.



**Table of Contents****MARKET PRICE INFORMATION**

The table below sets forth, for the calendar periods indicated, the high and low closing sales prices on the Frankfurt Stock Exchange for the common shares of Siemens as reported by the Electronic cash market trading system (Xetra). The table also shows, for the periods indicated, the closing highs and lows of the DAX, a German stock index which measures the performance of the 30 largest German companies in terms of order book volume and market capitalization, and the average daily trading volume of our common shares on Xetra. See the discussion under Item 3: Key Information Exchange rate information, for information with respect to rates of exchange between the US\$ and the applicable during the periods set forth below.

	Price per common share		DAX		Average daily trading volume <sup>(1)</sup> (millions of shares)
	High	Low	High	Low	
<b>Annual highs and lows</b>					
2007	111.17	75.32	8,105.7	6,447.7	7.422
2008	107.29	35.52	7,949.1	4,127.4	7.571
2009	69.00	38.36	6,011.6	3,666.4	4.409
2010	94.78	61.67	7,078.0	5,434.3	3.777
2011	99.38	64.45	7,527.6	5,072.3	3,910
2012 <sup>(2)</sup>	80.27	63.06	7,451.6	5,969.4	3,491
<b>Quarterly highs and lows</b>					
<b>2010</b>					
First quarter	74.42	61.67	6,156.9	5,434.3	4.054
Second quarter	79.23	68.25	6,332.1	5,670.0	4.815
Third quarter	79.37	70.94	6,351.6	5,816.2	3.220
Fourth quarter	94.78	75.56	7,078.0	6,134.2	3.056
<b>2011</b>					
First quarter	98.00	86.43	7,426.8	6,513.8	4.041
Second quarter	99.38	89.46	7,527.6	7,026.9	3.004
Third quarter	95.25	64.45	7,471.4	5,072.3	4.937
Fourth quarter	78.19	65.67	6,346.2	5,216.7	3,612
<b>2012</b>					
First quarter	79.71	72.14	7,157.8	6,017.2	3,485
Second quarter	76.44	63.06	7,056.7	5,969.4	3,688
Third quarter	79.50	66.44	7,451.6	6,387.6	3,480
Fourth quarter <sup>(2)</sup>	80.27	76.19	7,437.2	6,950.5	3,198
<b>Monthly highs and lows</b>					
<b>2012</b>					
June	67.40	63.06	6,416.3	5,969.4	3,749
July	70.12	66.44	6,774.1	6,387.6	3,148
August	75.59	68.34	7,089.3	6,606.1	3,304
September	79.50	74.71	7,451.6	6,932.6	4,048
October	80.20	76.19	7,437.2	7,173.7	3,081
November <sup>(2)</sup>	80.27	76.62	7,377.8	6,950.5	3,377

(1) Data from Datastream International.

(2) Up to and including November 21, 2012.

**Table of Contents**

On November 21, 2012, the closing sale price per Siemens AG common share on Xetra was 77.60 which was equivalent to US\$99.37 per common share, translated at the noon buying rate for on such date.

**TRADING ON THE NEW YORK STOCK EXCHANGE**

Official trading of Siemens AG ADSs on the New York Stock Exchange (NYSE) commenced on March 12, 2001. Siemens AG ADRs trade under the symbol SI.

The following table sets forth, for the calendar periods indicated, the high and low closing sales prices per Siemens AG ADR as reported on the NYSE Composite Tape:

	Price per ADS	
	High	Low
	(US\$)	
<b>Annual highs and lows</b>		
2007	158.48	98.21
2008	157.14	44.54
2009	102.87	47.86
2010	124.70	84.80
2011	145.94	86.96
2012 <sup>(1)</sup>	105.30	79.11
<b>Quarterly highs and lows</b>		
<b>2010</b>		
First quarter	99.97	84.80
Second quarter	102.72	84.92
Third quarter	106.96	89.78
Fourth quarter	124.70	103.31
<b>2011</b>		
First quarter	137.34	115.68
Second quarter	145.94	126.78
Third quarter	138.23	88.19
Fourth quarter	111.29	86.96
<b>2012</b>		
First quarter	105.30	94.29
Second quarter	101.83	79.11
Third quarter	104.30	81.13
Fourth quarter <sup>(1)</sup>	103.98	98.27
<b>Monthly highs and lows</b>		
<b>2012</b>		
June	85.10	79.11
July	85.89	81.13
August	94.28	83.44
September	104.30	94.00
October	103.98	98.68
November <sup>(1)</sup>	102.75	98.27

(1) Up to and including November 21, 2012.

On November 21, 2012, the closing sales price per Siemens AG ADS on the New York Stock Exchange as reported on the NYSE Composite Tape was US\$99.30.

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**Table of Contents**

**ITEM 10: ADDITIONAL INFORMATION**

**ARTICLES OF ASSOCIATION AND RELEVANT PROVISIONS OF GERMAN LAW**

This section summarizes the material provisions of our Articles of Association (Satzung) and German law to the extent that they affect the rights of our shareholders.

**ORGANIZATION**

Siemens AG is a stock corporation incorporated in the Federal Republic of Germany under the German Stock Corporation Act (Aktiengesetz). Siemens AG is registered in the Commercial Register (Handelsregister) maintained by the local courts in Berlin Charlottenburg, Germany, under the entry number HRB 12300, and in Munich, Germany, under the entry number HRB 6684. Copies of our Articles of Association are publicly available from the Commercial Register in Berlin and Munich, and an English translation is on file with the Securities and Exchange Commission in the United States. You can also find them at [www.siemens.com/investor/en/corporate\\_governance.htm](http://www.siemens.com/investor/en/corporate_governance.htm).

**CORPORATE GOVERNANCE**

Siemens AG fully complies with all recommendations of the German Corporate Governance Code (Code) in the version of May 15, 2012.

The Managing Board and the Supervisory Board of Siemens AG have discussed compliance with the Code's recommendations in detail. Based on their deliberations, the boards have approved the annual Declaration of Conformity as of October 1, 2012. This document is posted on our website and set forth below.

Siemens voluntarily complies with the Code's non-binding suggestions, with the following exception:

In fiscal 2011, the Supervisory Board decided to appoint Dr. Roland Busch, Klaus Helmrich and Dr. Michael Süß to the Managing Board, each for a term of five years, and therefore to no longer follow the suggestion set out in Section 5.1.2 para. 2 sentence 1 of the Code, according to which the maximum possible appointment period of five years should not be the rule for first-time appointments to a managing board.

Our listing on the NYSE subjects us to a number of provisions under U.S. securities laws (including the Sarbanes-Oxley Act (SOA)) as well as to the rules and regulations of the SEC and the NYSE. To facilitate our compliance with the SOA, we have, among other things, a Disclosure Committee in place, comprising the heads of a number of our Corporate Units. This committee is responsible for reviewing certain financial and non-financial information and advising our Managing Board in its decisions regarding disclosure. We also have procedures in place that require the members of the management of our Sectors, Divisions, Financial Services, Cross-Sector Services, Regional Clusters and certain Corporate Units supported by certifications provided by the management of entities under their direction to confirm to us the correctness of the financial data that they have reported to Siemens corporate headquarters and the effectiveness of the related control systems. Their confirmation provides a basis for our CEO and CFO to certify our financial statements to the SEC. Consistent with the requirements of the SOA, we have procedures for handling accounting complaints in place as well as a Code of Ethics for Financial Matters. This Code of Ethics for Financial Matters was last updated in 2010.

For further information about significant differences between Siemens corporate governance and NYSE Corporate Governance Standards, please refer to Item 16G: Corporate governance Significant differences between Siemens corporate governance and NYSE Corporate Governance Standards.

## **Table of Contents**

### **Management and control structure**

#### **Supervisory Board**

Siemens AG is subject to German corporate law. It has a two-tier board structure, consisting of a Managing Board and a Supervisory Board. As required by the German Codetermination Act (Mitbestimmungsgesetz), the Company's shareholders and its employees each select one-half of the Supervisory Board's members. The term of office of the current members of the Supervisory Board will expire at the close of the Annual Shareholders' Meeting 2013.

The Supervisory Board first defined the objectives for its composition in fiscal 2010. At its meeting on September 19, 2012, it modified these objectives in order to bring them into line with Section 5.4.1 of the amended Code of May 15, 2012, and reapproved them as follows:

The composition of the Supervisory Board of Siemens AG shall be such that qualified control and advising for the Managing Board is ensured. The candidates proposed for election to the Supervisory Board shall have the expertise, skills and professional experience necessary to carry out the functions of a Supervisory Board member in a multinational company and safeguard the reputation of Siemens in public. In particular, care shall be taken in regard to the personality, integrity, commitment, professionalism and independence of the individuals proposed for election. The goal is to ensure that, in the Supervisory Board, as a group, all know-how and experience is available that is considered essential in view of Siemens' activities.

Taking the Company's international orientation into account, care shall also be taken to ensure that the Supervisory Board has an adequate number of members with extensive international experience. The goal for the next Supervisory Board election in 2013 is to make sure that the present considerable share of Supervisory Board members with international background is maintained.

In its election proposals, the Supervisory Board shall also pay particular attention to the appropriate participation of women. Qualified women shall already be included in the initial process of selecting potential candidates for new elections or for the filling of Supervisory Board positions that have become vacant and shall be considered, as appropriate, in nominations. There are currently four women on our Supervisory Board. Our goal is, at the minimum, to maintain and, if possible, to increase this number at the next Supervisory Board election in 2013. It is also intended that a woman join the Nominating Committee following this Supervisory Board election.

An adequate number of independent members shall belong to the Supervisory Board. Material and not only temporary conflicts of interest, such as organizational functions or advisory capacities with major competitors of the company, shall be avoided. Under the presumption that the mere exercise of Supervisory Board duties as an employee representative gives no cause to doubt the compliance with the independence criteria pursuant to Section 5.4.2 of the Code, the Supervisory Board shall have a minimum of sixteen members who are independent in the meaning of the Code. In any case, the Supervisory Board shall be composed in such a way that a number of at least six independent shareholder representatives in the meaning of Section 5.4.2 of the Code is achieved. In addition, the Supervisory Board members shall have sufficient time to be able to devote the necessary regularity and diligence to their mandate.

The age limitation established in the Bylaws of the Supervisory Board will be taken into consideration. In addition, no more than two former members of the Managing Board of Siemens AG shall belong to the Supervisory Board.

The status of implementation of these objectives can be summarized as follows: On September 25, 2012 three women were elected, pursuant to the German Codetermination Act's provisions regarding the election of employee representatives to a supervisory board, to serve as employee representatives on Siemens' Supervisory Board. Their terms of office will begin at the close of the Annual Shareholders' Meeting on January 23, 2013. In fiscal 2012, the Nominating Committee met six times in order to prepare the election of the Supervisory Board's shareholder representatives by the Annual Shareholders' Meeting 2013. In proposing candidates to the

## **Table of Contents**

Supervisory Board, the Nominating Committee took into account not only the requirements of the German Stock Corporation Act, the Code and the Bylaws for the Supervisory Board but also the Supervisory Board's objectives for its composition. On the basis of the Nominating Committee's recommendation, the Supervisory Board will propose that the Annual Shareholders' Meeting 2013 elect as shareholder representatives on the Supervisory Board several candidates who are currently engaged in international activities and/or have many years of international experience. The candidates will include two women, one of whom is intended to join the Nominating Committee following the Supervisory Board election.

Some Supervisory Board members hold or have held in the past year high-ranking positions at other companies with which Siemens does business. Nevertheless, transactions between Siemens and such companies are carried out on an arm's length basis. We believe that these transactions do not compromise the independence of the Supervisory Board members in question.

The Supervisory Board oversees and advises the Managing Board in its management of the Company's business. At regular intervals, the Supervisory Board discusses business development, planning, strategy and implementation. It reviews the annual Stand-alone Financial Statements of Siemens AG, the Consolidated Financial Statements of Siemens worldwide, the Combined Management Report of these financial statements and the proposal for the appropriation of net income. It also discusses Siemens' quarterly and half-yearly reports and approves the annual Stand-alone Financial Statements of Siemens AG as well as the Consolidated Financial Statements of Siemens worldwide, taking into account both the audit reports issued by the independent auditors thereon and the results of the review conducted by the Audit Committee. In addition, the Supervisory Board concerns itself with the Company's adherence to the statutory provisions, official regulations and internal Company policies (compliance). It also appoints the members of the Managing Board and determines each member's duties. Important Managing Board decisions such as those regarding major acquisitions, divestments and financial measures require Supervisory Board approval, unless the Bylaws for the Supervisory Board specify that such authority be delegated to the Finance and Investment Committee of the Supervisory Board. In the Bylaws for the Managing Board, the Supervisory Board has established the rules that govern the work of the Managing Board, in particular, the rules regarding the allocation of duties among individual Managing Board members, the matters reserved for the Managing Board as a whole, and the quorum required for Managing Board decisions.

The Supervisory Board currently has six committees whose duties, responsibilities and procedures fulfill the requirements of the German Stock Corporation Act and the Code, reflect applicable SOA requirements and incorporate applicable NYSE rules as well as certain NYSE rules, with which Siemens AG complies voluntarily. Each committee's chairperson provides the Supervisory Board with regular reports regarding the activities of his or her committee.

The Chairman's Committee, which comprises the Chairman and Deputy Chairmen of the Supervisory Board as well as one further employee representative elected by the Supervisory Board, performs the collective tasks of a nominating, compensation and corporate governance committee to the extent that such tasks are not performed by the Nominating Committee and German law does not require that such tasks be performed by the full Supervisory Board. In particular, the Chairman's Committee makes proposals regarding the appointment and dismissal of Managing Board members, handles contracts with members of the Managing Board, prepares the determination of Managing Board compensation and the review of the Managing Board compensation system to be conducted at the Supervisory Board's plenary meetings. In preparing recommendations on the appointment of Managing Board members, the Chairman's Committee takes into account a candidate's professional qualifications, international experience and leadership qualities, the board's long-range plans for succession as well as the board's diversity and, in particular, the appropriate consideration of women. The Chairman's Committee concerns itself with questions regarding the Company's corporate governance and prepares the resolution regarding the Declaration of Conformity with the Code to be approved by the Supervisory Board. Furthermore, the Chairman's Committee submits recommendations to the Supervisory Board regarding the composition of Supervisory Board committees and decides whether to approve business transactions with Managing Board members and parties related to them.

The Audit Committee comprises the Chairman of the Supervisory Board, two of the Supervisory Board's shareholder representatives and three of the Supervisory Board's employee representatives. According to German

**Table of Contents**

law, the Audit Committee must include at least one independent Supervisory Board member with knowledge and experience in the application of accounting principles or the auditing of financial statements. The Chairman of the Audit Committee, Dr. Hans Michael Gaul, fulfills these German statutory requirements. The Supervisory Board has designated Dr. Hans Michael Gaul in addition to Dr. Gerhard Cromme as an audit committee financial expert, as defined by the regulations of the SEC adopted pursuant to Section 407 of the SOA. The Supervisory Board monitors the independence of the members of the Audit Committee. With regard to the independence requirements under the Securities Exchange Act, Siemens relies on the exemption provided by Rule 10A-3(b)(1)(iv)(C). We believe that such reliance does not materially adversely affect the ability of the Audit Committee to act independently or to satisfy the other requirements of Rule 10A-3.

The Audit Committee oversees the accounting process. It also prepares the Supervisory Board's recommendation to the Annual Shareholders Meeting concerning the election of the independent auditors and submits the corresponding proposal to the full Supervisory Board. Furthermore, in addition to the work performed by the independent auditors, the Audit Committee discusses the Company's financial statements prepared quarterly, half-yearly and annually by the Managing Board. On the basis of the independent auditors' report on the annual financial statements, the Audit Committee makes, after its own review, recommendations to the Supervisory Board regarding the approval of the annual Stand-alone Financial Statements of Siemens AG and the Consolidated Financial Statements of Siemens worldwide. It concerns itself with the Company's risk monitoring system and oversees the effectiveness of the internal control system as this relates, in particular, to financial reporting, the risk management system and the internal audit system. The Internal Audit Department reports regularly to the Audit Committee. The Audit Committee awards the audit contract to the independent auditors elected by the Annual Shareholders Meeting and monitors the independent audit of the financial statements including in particular the auditor's independence, professional expertise and services and performs other functions assigned to it under the SOA.

The Compliance Committee comprises the Chairman of the Supervisory Board, two of the Supervisory Board's shareholder representatives and three of the Supervisory Board's employee representatives. The Compliance Committee concerns itself, in particular, with the Company's adherence to the statutory provisions, official regulations and internal Company policies.

The Nominating Committee, which comprises the Chairman of the Supervisory Board and two of the Supervisory Board's shareholder representatives, is responsible for making recommendations to the Supervisory Board's shareholder representatives regarding the shareholder candidates to be proposed for election to the Supervisory Board by the Annual Shareholders Meeting. In preparing these recommendations, the objectives specified by the Supervisory Board regarding its composition are to be taken into account as well as the required knowledge, abilities and experience of the proposed candidates; attention shall also be paid to independence, diversity and, in particular, the appropriate participation of women.

The Mediation Committee, which comprises the Chairman of the Supervisory Board, the First Deputy Chairman (who is elected in accordance with the German Codetermination Act), one of the Supervisory Board's shareholder representatives and one of the Supervisory Board's employee representatives, submits proposals to the Supervisory Board in the event that the Supervisory Board cannot reach the two-thirds majority required for the appointment or dismissal of a Managing Board member.

The Finance and Investment Committee comprises the Chairman of the Supervisory Board, three of the Supervisory Board's shareholder representatives and four of the Supervisory Board's employee representatives. Based on the Company's overall strategy, which is the focus of an annual strategy meeting of the Supervisory Board, the Committee prepares the discussions and resolutions of the Supervisory Board regarding questions relating to the Company's financial situation and structure as well as its fixed assets and financial investments. In addition, the Finance and Investment Committee has been authorized by the Supervisory Board to decide on the approval of transactions and measures that require Supervisory Board approval and have a value of less than 600 million. The Finance and Investment Committee also exercises the right of the Supervisory Board pursuant to Section 32 of the German Codetermination Act to make decisions regarding the exercise of ownership rights resulting from interests in other companies. Section 32 para. 1 sentence 2 of the German Codetermination Act stipulates that decisions made by the Finance and Investment Committee require only the votes of the shareholder representatives.

## **Table of Contents**

### **Managing Board**

As the Company's top management body, the Managing Board is committed to serving the interests of the Company and achieving sustainable growth in Company value. The members of the Managing Board are jointly responsible for the entire management of the Company and decide on the basic issues of business policy and corporate strategy as well as on the Company's annual and multi-year plans.

The Managing Board prepares the Company's quarterly and half-yearly reports, the annual Stand-alone Financial Statements of Siemens AG and the Consolidated Financial Statements of Siemens worldwide. In addition, the Managing Board must ensure that the Company adheres to the statutory provisions, official regulations and internal Company policies (compliance) and works to achieve compliance with these provisions and policies within the Siemens group. The Managing Board and the Supervisory Board cooperate closely for the benefit of the Company. The Managing Board informs the Supervisory Board regularly, comprehensively and without delay, on all issues of importance to the Company with regard to strategy, planning, business development, financial position, earnings, compliance and risks. When filling managerial positions at the Company, the Managing Board takes diversity into consideration and, in particular, aims for an appropriate consideration of women.

The Bylaws for the Managing Board provide for the establishment of committees to deal with specific tasks. Currently, there is one Managing Board committee, the Equity and Employee Stock Committee. This committee comprises three members of the Managing Board and oversees the utilization of authorized capital in connection with the issuance of employee stock and the implementation of certain capital measures. It also determines the scope and conditions of the share-based compensation components and/or programs for employees and managers (with the exception of the Managing Board).

### **Shareholder relations**

Siemens reports to shareholders on its business development, financial position and earnings on a regular basis four times a year. An ordinary Annual Shareholders' Meeting, at which we also report on business development, normally takes place within the first four months of each fiscal year. The Managing Board facilitates shareholder participation in this meeting through electronic communications – in particular the Internet – and enables shareholders who are unable to attend the meeting to vote by proxy. Furthermore, shareholders may exercise their right to vote in writing or by means of electronic communications (voting by mail). The Managing Board may enable shareholders to participate in the Annual Shareholders' Meeting without the need to be present at the venue and without a proxy, and to exercise some or all of their rights fully or partially by means of electronic communications. The reports, documents and information required by law, including the financial reports, may be downloaded from our website. The same applies to the agenda for the Annual Shareholders' Meeting and to possible counterproposals or shareholders' nominations, if any, that are required to be disclosed.

The Annual Shareholders' Meeting decides, among other things, on the appropriation of net income, the ratification of the acts of the Managing and Supervisory Boards, and the appointment of the independent auditors. Amendments to the Articles of Association and measures that change the Company's capital stock are approved at the Annual Shareholders' Meeting and are implemented by the Managing Board. Shareholders may submit proposals regarding the proposals of the Managing and Supervisory Boards and may contest decisions of the Annual Shareholders' Meeting. Shareholders owning Siemens stock with an aggregate notional value of 100,000 or more may also demand the appointment of special auditors to examine specific issues.

As part of our investor relations activities, we inform our investors comprehensively about developments within the Company. For communication purposes, Siemens makes extensive use of the Internet. We publish quarterly, half-yearly and annual reports, earnings releases, ad hoc announcements, analyst presentations, and press releases as well as the financial calendar for the current year which contains the publication dates of significant financial communications and the date of the Annual Shareholders' Meeting at [www.siemens.com/investors](http://www.siemens.com/investors).

## **Table of Contents**

### **Business Conduct Guidelines and Code of Ethics**

Our Business Conduct Guidelines and our Code of Ethics for Financial Matters form the basis of our compliance program.

The Business Conduct Guidelines, introduced by the Managing Board in 2001 and amended and restated in 2009, contain binding standards for law-abiding behavior and precise rules regarding, among others, compliance with applicable fair competition and anticorruption laws, handling of donations and gifts, avoidance of conflicts of interest, prohibition of insider trading, and protection of Company assets. They also specify procedures for dealing with complaints. They provide the ethical and legal framework within which we want to maintain successful activities.

Furthermore, the Managing Board and the Supervisory Board have implemented a Code of Ethics for Financial Matters, as required by the SOA rules. For further information about our Code of Ethics for Financial Matters, please refer to Item 16B: Code of ethics.

Both the Business Conduct Guidelines and the Code of Ethics for Financial Matters are available on our website.

The Business Conduct Guidelines and the Code of Ethics for Financial Matters are complemented by numerous other rules that are applicable company-wide.

As required by the SOA rules, procedures for the receipt, retention and treatment of potential complaints regarding accounting practices as well as procedures for handling relevant reports from specific attorneys (internal and external) have been implemented. Such complaints and comments, including those submitted anonymously, are processed by the Chief Counsel Compliance in the case of complaints related to accounting practices, and by the General Counsel in the case of reports from specific attorneys.

In addition to the existing internal procedures for reporting and handling complaints, an external attorney has been engaged to act as an independent ombudsman to provide a confidential communication channel for Siemens employees and third parties. Our customers, suppliers, business partners and all other third parties as well as our employees worldwide are offered the opportunity to submit reports on violations to the Tell Us Compliance Helpdesk, either by telephone or online 24 hours a day on seven days per week. The external provider specializes in the secure and confidential handling of sensitive information. In addition, the Company encourages employees to use a centralized question-and-answer platform. The Ask Us Compliance Helpdesk provides employees with an opportunity to ask questions on compliance-relevant topics. This relates both to the application of compliance-relevant regulations in the day-to-day business and the understanding of requirements for agreements with external partners.

Our Articles of Association, the Bylaws for the Supervisory Board and for its most important committees, the Bylaws for the Managing Board, all of our Declarations of Conformity with the Code and a variety of other corporate governance related documents are posted on our website at [www.siemens.com/corporate\\_governance](http://www.siemens.com/corporate_governance).



**Table of Contents**

**Declaration of Conformity with the German Corporate Governance Code**

The Managing Board and the Supervisory Board of Siemens AG approved the following Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act:

Declaration of Conformity by the Managing Board and the Supervisory Board of Siemens Aktiengesellschaft with the German Corporate Governance Code.

Siemens AG fully complies and will continue to comply with the recommendations of the German Corporate Governance Code ( Code ) in the version of May 15, 2012, published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette ( elektronischer Bundesanzeiger ).

Since making its last Declaration of Conformity dated October 1, 2011, Siemens AG has complied with the recommendations of the Code in the prior version of May 26, 2010, with the exception stated and explained therein (that, contrary to the provisions of Section 5.4.6 para. 2 sentence 1 of the Code in the prior version of May 26, 2010, the rules for the compensation of the Supervisory Board members contain no performance-related compensation components since, in our view, a purely fixed compensation reinforces the independence of the Supervisory Board). The deviation no longer applies, because the recommendation for performance-related compensation for Supervisory Board members is no longer included in the new version of the Code.

Berlin and Munich, October 1, 2012

Siemens Aktiengesellschaft

The Managing Board

The Supervisory Board

## **Table of Contents**

### **OBJECTS AND PURPOSES**

According to Section 2 of our Articles of Association, the objects and purposes of our Company are:

to manufacture, distribute and supply industrial products in the fields of electrical engineering and electronics, mechanical engineering, precision mechanics as well as related sectors of engineering, including research and development in these fields;

to develop, plan, distribute, supply, assemble and commission trade-specific and customer-specific systems, solutions and facilities in the fields of electrical engineering and electronics, mechanical engineering, precision mechanics as well as related sectors of engineering; and

to render industrial and other business-related services.

Our Articles of Association authorize us to engage in business of any kind and to take any and all measures related to, or which seem to be directly or indirectly useful in, promoting our objects. We may also operate both domestic and foreign factories, establish branch offices, found, acquire, consolidate with, or participate in other companies, conclude or participate in other management contracts and enter into joint ventures.

### **DIRECTORS**

Under German law, our Supervisory Board members and Managing Board members owe duties of loyalty and care to our Company. They must exercise the standard of care of a prudent and diligent businessman and bear the burden of proving they did so if their actions are contested. Both boards have a duty to take into account the interests of our shareholders and our employees and, to some extent, are also required to observe the public interest. Those who violate their duties are jointly and severally liable to the Company for any damage that their violations have caused unless their actions were validly approved by a resolution at a prior shareholders' meeting with a simple majority of the votes cast.

No board member may vote on a matter that concerns formal approval of his or her own acts or in which he or she has a material interest, and no member of either our Supervisory Board or our Managing Board may receive loans from us.

There is no mandatory retirement age for members of either Board under our Articles of Association. According to the Managing Board's Bylaws, however, the age of a member of the Managing Board shall not, as a rule, exceed 65 years. Similarly, the Bylaws of the Supervisory Board set forth that, as a rule, only persons who are not older than 70 years shall be nominated to be elected as members of the Supervisory Board.

According to our Share Ownership Guidelines, being effective since October 1, 2008, there is a mutually determined share ownership commitment by the members of our Managing Board and other top executive managers.

See also Item 6: Directors, senior management and employees Management Supervisory Board, and Item 6: Directors, senior management and employees Management Managing Board for further information about the Supervisory Board and the Managing Board.

### **RIGHTS, PREFERENCES AND RESTRICTIONS ATTACHING TO OUR SHARES**

#### **Voting rights**

Our shareholders vote at shareholders' meetings. A shareholders' meeting may be called by either our Managing Board or our Supervisory Board. The Annual Shareholders' Meeting must take place within the first eight months of each fiscal year. In addition, shareholders whose combined shares amount to at least one twentieth of the capital stock may request in writing the convening of a shareholders' meeting, stating the purpose and reasons for it. Shareholders whose combined shares represent at least one twentieth of the capital stock or a proportionate ownership of at least 500,000 in capital stock may also require that particular items be placed on the agenda and published.



## **Table of Contents**

Under German law and our Articles of Association, we must publish notices that are required by law or by our Articles of Association in the electronic Federal Gazette. Notices of shareholders' meetings must be published at least 30 days prior to the deadline stated in the notice by which we ask our shareholders to notify us that they intend to attend the meeting. Under German law and our Articles of Association, we are also entitled to submit information to registered shareholders by way of remote data transmission with their approval.

In order to be entitled to participate in and vote at a meeting, a shareholder must be registered in the share register on the meeting date and must have notified us in text form or electronically that he or she wished to attend the meeting. The period between the date of notification receipt and the meeting date must be at least six full days or such lesser period as our Managing Board may have specified in the notice of the Shareholders Meeting.

The Managing Board facilitates shareholder participation in the meeting through electronic communications in particular the Internet and enables shareholders who are unable to attend the meeting to vote by proxy. Furthermore, shareholders may exercise their right to vote in writing or by means of electronic communication (voting by mail). The Managing Board may provide for the shareholders to participate in the Shareholders Meeting without the need to be present at the venue and without a proxy, and to exercise some or all of their rights fully or partially by means of electronic communication. At our Shareholders' Meetings, each share carries one vote. In certain cases, a shareholder can be prevented from exercising his or her voting rights. This rule applies, for example, if we discharge one of our shareholders from liability or assert a claim against one of our shareholders. Resolutions are generally passed with a simple majority of the votes cast at the meeting. Resolutions that require a capital majority are passed with a simple majority of the issued capital present at the meeting, unless statutory law or our Articles of Association require otherwise. Under the German Stock Corporation Act, a number of significant resolutions must be passed by a vote of at least 75% of the share capital present at the meeting. This 75% majority requirement applies to the following matters, among others:

amendments of a company's articles of association (except amendments that would impose an additional duty upon shareholders or change certain rights and obligations attaching to a company's shares, which in addition require the approval of all shareholders concerned);

capital increases and decreases;

exclusion of preemptive rights in connection with a capital increase;

creation of authorized capital or conditional capital or the issue of convertible bonds and bonds with warrants attached;

dissolution of a company;

merger or consolidation of a company with another stock corporation or certain other corporate transformations;

transfer of all or virtually all of the assets of a company; and

approval of any direct control, profit and loss pooling or similar intercompany agreements.

Although we must notify shareholders of an ordinary or extraordinary shareholders' meeting as described above, neither the German Stock Corporation Act nor our Articles of Association provide for a minimum quorum requirement. Accordingly, holders of a minority of our shares could control the outcome of actions not requiring a specified majority of our outstanding share capital.

Neither German law nor our Articles of Association restrict the right of non-resident or foreign owners of our shares to hold or vote the shares.

## **Dividend rights**

## Edgar Filing: SIEMENS AKTIENGESELLSCHAFT - Form 20-F

Under applicable German law, we may declare and pay dividends only from our annual net income as reported in the German statutory, annual Stand-alone Financial Statements of Siemens AG. For each fiscal year, our Managing Board approves the annual Stand-alone Financial Statements of Siemens AG and submits them to

## **Table of Contents**

our Supervisory Board with its proposal for the allocation of our annual net income. The proposal sets forth what portion of the annual net income should be paid out as dividends, transferred to profit reserves or carried forward to the next fiscal year. Upon approval by our Supervisory Board, our Managing Board and our Supervisory Board submit their combined proposal to the shareholders at the Annual Shareholders Meeting. The general assembly of shareholders ultimately determines the allocation of annual net income including the amount of any annual dividend. Our Managing and Supervisory Boards may not allocate more than one half of our annual surplus to other profit reserves. In determining the distribution of profits, however, our shareholders may allocate additional amounts to profit reserves and may carry forward profits in part or in full. Our shareholders receive dividend distributions in proportion to the number of shares they hold.

Cash dividends approved at a Shareholders Meeting are payable on the first stock exchange trading day after that meeting, unless otherwise decided at the Shareholders Meeting. If an investor holds shares that are entitled to dividends through a clearing system, the dividends will be paid according to that clearing system's rules. If an investor holds physical certificates, he or she may no longer exercise dividend or other rights attaching to the shares without surrendering the physical certificates to a financial institution that maintains securities accounts. We will publish notice of dividends paid as well as of the paying agent or agents whom we have appointed in the electronic Federal Gazette.

According to our Articles of Association, the Annual Shareholders Meeting can declare a non-cash dividend instead of or in addition to a cash dividend.

### **Liquidation rights**

In accordance with the German Stock Corporation Act, if Siemens AG is liquidated, any liquidation proceeds remaining after all of its liabilities have been discharged are distributed to its shareholders in proportion to the capital stock held by them.

### **Preemptive rights**

Under the German Stock Corporation Act, our shareholders generally have preemptive rights. Preemptive rights are preferential rights to subscribe for issues of new shares in proportion to the number of shares that a shareholder already holds in the corporation's existing share capital. These rights do not apply to shares issued out of conditional capital or if a capital increase has occurred and our shareholders have waived their preemptive rights in connection with that increase. Preemptive rights also apply to securities other than shares if they may be converted into shares, such as options, securities with warrants, profit-sharing certificates and securities with dividend rights. Under German law, preemptive rights may be transferred separately from the underlying shares and may be traded on any of the German stock exchanges on which our shares are traded until a certain number of days prior to the last date on which the preemptive rights may be exercised.

The German Stock Corporation Act allows companies to exclude or restrict preemptive rights in connection with capital increases only in limited circumstances and only in the same shareholders' resolution that authorizes the capital increase. At least 75% of the share capital represented at the shareholders' meeting that approves a capital increase has to vote for exclusion or restriction of preemptive rights in connection with that increase. In addition to being approved by the shareholders, any exclusion or restriction of preemptive rights requires a justification which our Managing Board has to set forth in a report to our shareholders. The justification requires the Managing Board to show that our interest in excluding or restricting preemptive rights outweighs the shareholders' interest in exercising these rights.

If our Managing Board, with the approval of the Supervisory Board, increases our share capital for cash in accordance with our Articles of Association, it may, for example, with the approval of the Supervisory Board, exclude preemptive rights:

to grant holders of conversion or option rights that we or any of our subsidiaries have issued, as protection against the effects of dilution, preemptive rights to subscribe for new Siemens shares to the extent they would be entitled to upon exercising such rights;

## **Table of Contents**

if the issue price of the new shares is not significantly lower than their stock market price and the total of newly issued shares as defined under German law represent 10% or less of our capital stock existing at the time we issue the new shares; or

to make use of any fractional amounts after excluding shareholders' preemptive rights thereon.

In addition, our shareholders have waived their preemptive rights with respect to shares issued to employees, with respect to shares issued in exchange for an in-kind contribution out of authorized capital and with respect to treasury stock.

Additionally, our shareholders have waived their preemptive rights in certain cases with respect to the issuance of bonds with conversion rights or warrants attached:

if the issue price of the bonds is not significantly lower than their theoretical market price computed in accordance with generally accepted actuarial methods, and if the total number of shares to be issued on the basis of bond issues under the authorization as defined under German law in combination with other shares issued or sold during the effective period of the authorization does not exceed 10% of the capital stock existing at the time of the exercise of the authorization;

to the extent that the exclusion is necessary with regard to fractional amounts resulting from the subscription ratio;

to grant holders of conversion or option rights or conversion or option obligations on Siemens shares subscription rights as compensation against the effects of dilution to the extent to which they would be entitled upon exercising such rights; or

to the extent that the bonds were issued against non-cash contributions, in particular within the context of business combinations or when acquiring companies or interests therein.

### **Restrictions on voting rights or transfer of shares**

Shares issued to employees worldwide under the stock scheme implemented since the beginning of fiscal 2009, e.g. the Share Matching Plan, are freely transferable. However, participants are required to own and hold the shares issued to them under the rules of the Plan for a vesting period of about three years, during which the participants have to have been continuously employed by Siemens AG or another Siemens company, in order to receive one matching share free of charge for each three shares. The right to receive matching shares forfeits, if the underlying shares are sold, transferred, hedged on, pledged or hypothecated in any way during the vesting period.

The von Siemens-Vermögensverwaltung GmbH (vSV) has, on a sustained basis, powers of attorney allowing it to vote, as of October 12, 2012, 11,454,464 shares on behalf of members of the Siemens family, whereby aforementioned shares constitute a part of the overall number of shares held by members of the Siemens family. The vSV is a German limited liability company and party to an agreement with, among others, members of the Siemens family (family agreement). In order to bundle and represent their interests, the members of the Siemens family established a family partnership. This family partnership makes proposals to the vSV with respect to the exercise of the voting rights at Shareholders' Meetings of the Company, which are taken into account by the vSV when acting within the bounds of its professional discretion. Pursuant to the family agreement, the shares under powers of attorney are voted by the vSV collectively.

### **DISCLOSURE REQUIREMENT**

Our Articles of Association do not require our shareholders to advise us when their holdings exceed specified thresholds. Under the German Securities Trading Act (Wertpapierhandelsgesetz), however, holders of the voting rights of an issuer whose home country is the Federal Republic of Germany and whose securities are admitted to trading on an organized market are required to notify the issuer in which they hold the securities and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) of the level of their holdings whenever such holdings reach, exceed or fall below certain thresholds. These

**Table of Contents**

thresholds are set at 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the issuer's outstanding voting rights. These thresholds may also be reached by mutually adding third party voting rights, if the holders of such voting rights agreed to permanently act in concert while exercising their voting rights.

In addition, anyone who holds, directly or indirectly, financial instruments entitling their holder by a legally binding agreement to unilaterally acquire voting shares issued by a company whose home country is the Federal Republic of Germany must, without undue delay, notify the issuer and simultaneously the BaFin if the thresholds mentioned above, with the exception of the 3% threshold, have been reached, exceeded or fallen below. The Act on Strengthening Investor Protection and Improving the Functionality of the Capital Market (Gesetz zur Stärkung des Anlegerschutzes und Verbesserung der Funktionsfähigkeit des Kapitalmarktes), the relevant part of which came into effect on February 1, 2012, extended this obligation to other instruments that grant the holder or a third party the right to acquire voting shares that do not qualify as financial instruments within the meaning of the German Securities Trading Act, e.g., securities lending agreements or sales and repurchase agreements. Under the newly introduced Section 25a of the German Securities Trading Act any person who, directly or indirectly, holds financial instruments or other instruments not covered by the general provision set out above but merely enabling the holder or a third party, based on their terms, to acquire voting shares of an issuer whose home country is the Federal Republic of Germany, must, without undue delay, notify the issuer and simultaneously the BaFin, when reaching, exceeding or falling below 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75%. Accordingly, such financial or other instruments do not need to entitle the holder to claim delivery of the shares. A notification requirement can be triggered if an acquisition of voting rights is only possible under the economics of the instrument, e.g., if the counterparty to such financial or other instrument can reduce or mitigate its risk by acquiring the relevant shares. Therefore, cash settled equity swaps and contracts for the payment of price differences have become subject to the notification requirement.

In making the threshold calculations, rules on the aggregation of various positions in voting rights, financial instruments and other instruments have to be observed.

The issuer must publish the notifications received without undue delay, but no later than three trading days following receipt of the notification. A domestic issuer must also publish the total number of voting rights at the end of each calendar month during which the number of voting rights has increased or decreased. The calculation of the percentage of voting rights must be based on the latest publication of the total number of voting rights in the issuer. Voting rights attached to shares held by or attributed to a notifying party are not valid during the period for which the notification requirements have not been met. To the extent the percentage of voting rights is concerned, this period shall be extended by six months if the notification requirements have been breached intentionally or as a result of gross negligence. This extension shall not apply if the actual percentage of voting rights is less than 10% higher or lower than the percentage of voting rights indicated in the previously submitted incorrect notification and if no notification is being omitted that relates to any threshold mentioned above being reached, exceeded or fallen below.

Holders of voting rights are required to notify the issuer within 20 trading days after reaching or exceeding the 10% threshold about their intentions with respect to the voting rights and the origin of the funds used for the acquisition of voting rights.

In addition, the German Takeover Act (Wertpapiererwerbs- und Übernahmegesetz) requires the publication, without undue delay, but within seven days at latest, of the acquisition of control, which is defined in the German Takeover Act as holding of at least 30% of the voting rights in a target company.

The German Securities Trading Act requires directors to report their dealings in an issuer's shares. Specifically, persons with managerial responsibilities in a publicly-traded issuer must notify both the issuer and the BaFin about their transactions in the issuer's shares and derivatives or other financial instruments linked to those shares. The same obligation applies to persons closely associated with these managers, such as spouses, dependent children, or other relatives sharing the same household. Similarly, the reporting obligation also applies to legal entities, trusts and partnerships that are managed or controlled by any such manager or associated person, or that are set up for the benefit of such a person, or whose economic interests are substantially equivalent to those of such person. Nevertheless, there is no notification obligation until the total amount of transactions of a



## **Table of Contents**

covered manager and all of his or her associated persons reaches at least 5,000 during any calendar year. Such information can be found on our website at [www.siemens.com/directors-dealings](http://www.siemens.com/directors-dealings). For further information about such transactions see also Item 6: Directors, senior management and employees Share ownership.

### **REPURCHASE OF OUR OWN SHARES**

We may not acquire our own shares unless so authorized by a resolution duly adopted by our shareholders at a general meeting or in other very limited circumstances set forth in the German Stock Corporation Act.

The German Stock Corporation Act generally limits share repurchases to 10% of our share capital. In addition, any shareholders' resolution that authorizes us to repurchase shares may be in effect for a period no longer than 5 years. The resolution currently in effect is valid until January 24, 2016. Besides selling them over the stock exchange or through a public sales offer to all shareholders, the Managing Board is authorized to also use Siemens shares repurchased on the basis of this or any previously given authorization as follows: such Siemens shares may be (1) retired; (2) offered for purchase to individuals currently or formerly employed by the Company or any of its consolidated subsidiaries as well as to board members of any of the Company's consolidated subsidiaries, or awarded and/or transferred to such individuals with a vesting period of at least two years, provided that the employment relationship or board membership existed at the time of the offer or award commitment; (3) offered and transferred, with the approval of the Supervisory Board, to third parties against non-cash contributions, particularly in connection with business combinations or the acquisition of companies, businesses, parts of businesses or interests therein; (4) sold, with the approval of the Supervisory Board, to third parties against payment in cash if the price at which such Siemens shares are sold is not significantly lower than the market price of Siemens stock at the time of selling, or (5) used to meet obligations or rights to acquire Siemens shares arising from, or in connection with, convertible bonds or warrant bonds issued by the Company or any of its consolidated subsidiaries. Furthermore, the Supervisory Board is authorized to use shares acquired on the basis of this or any previously given authorization to meet obligations or rights to acquire Siemens shares that were or will be agreed with members of the Managing Board within the framework of rules governing Managing Board compensation. In particular, repurchased shares may be offered for acquisition, or awarded and/or transferred, subject to a restriction period, by the Supervisory Board to the members of the Managing Board, provided that Managing Board membership existed at the time of the offer or award commitment.

In addition to the above mentioned resolution regarding the repurchase of own shares, a complementary resolution is in effect that authorizes the Company to repurchase its own shares by using certain equity derivatives, such as put and call options, forward purchases and a combination of these derivatives. The term of the equity derivative must be chosen in a way that the repurchase of the Company's own shares upon exercise of the equity derivative will take place no later than January 24, 2016.

### **JURISDICTION**

Our Articles of Association provide that by subscription to or by otherwise acquiring shares or interim certificates for shares, a shareholder submits to the jurisdiction of the courts of our legal domicile in all disputes with us or our governing bodies.

### **MATERIAL CONTRACTS**

Not applicable.

### **EXCHANGE CONTROLS**

At present, Germany does not restrict the movement of capital between Germany and other countries or individuals except certain persons and entities associated with Osama bin Laden, the Al-Qaida network and the Taliban as well as certain other individuals, products and countries subject to embargoes in accordance with German law and applicable resolutions adopted by the United Nations and the EU.

**Table of Contents**

For statistical purposes, with certain exceptions, every German resident (e.g., corporations, partnerships, individuals) must report to the German Central Bank any payment received from, or made to, a non-resident if the payment exceeds 12,500 (or the equivalent in a foreign currency). Additionally, German residents, except for individuals and certain others, must report to the German Central Bank any claims against, or liabilities payable to, a non-resident exceeding an aggregate of 5 million (or the equivalent in a foreign currency) at the end of any calendar month. In this case all items (i.e., also items with values below 5 million) have to be reported. Residents having to report such claims or liabilities also have to report their claims against, or liabilities to, non-residents resulting from derivatives as of end of the relevant year if their claims against, or liabilities to, a non-resident exceed more than 500 million as of that date. In addition, residents are required to report annually to the German Central Bank any stakes of 10% or more they hold, or which are being attributed to them, in the equity or voting power of non-resident companies with a balance sheet total of more than 3 million, or assets of non-resident branch offices or permanent establishments if their value exceeds 3 million. Companies residing in Germany with a balance sheet total in excess of 3 million must report annually to the German Central Bank any stake of 10% or more in them held, or being attributed to, a non-resident. Resident branch offices or permanent establishments of non-residents must report annually to the German Central Bank if the value of their assets exceeds 3 million.

**TAXATION****GERMAN TAXATION**

The following discussion is a summary of the material German tax consequences for beneficial owners of our shares or ADSs (i) who are non-German residents for German income tax purposes (i.e., generally persons whose residence, habitual abode (gewöhnlicher Aufenthalt), statutory seat or place of effective management and control is not located in Germany) and (ii) whose shares or ADSs do not form part of the business property of a permanent establishment or a fixed base in Germany, and are not held with a German paying agent (including a German branch of a non-German financial services institution). Throughout this section we refer to these owners as Non-German holders.

This summary is based on German tax laws and typical tax treaties to which Germany is a party as they are in effect on the date hereof and is subject to changes in German tax laws or such treaties. The following discussion does not purport to be a comprehensive discussion of all German tax consequences that may be relevant for Non-German holders. You should consult your tax advisor regarding the German tax consequences of the purchase, ownership and disposition of our shares or ADSs and the procedures to follow to obtain a refund of German taxes withheld from dividends.

**Taxation of the company in Germany**

German corporations are currently subject to a corporate income tax rate of 15%. Moreover, a solidarity surcharge of 5.5% on the net assessed corporate income tax is levied, so that the corporate income tax and the solidarity surcharge, in the aggregate, amount to a tax rate of 15.825%.

In addition, German corporations are subject to profit-related trade tax on income, the exact amount of which depends on the municipality in which the corporation maintains its business establishment(s). Trade tax is not a deductible item in calculating the corporation's tax base for corporate income tax and trade tax purposes.

**Imposition of withholding tax**

Dividend distributions are subject to a current withholding tax of 25%. Moreover, a solidarity surcharge of 5.5% on the withholding tax is levied, resulting in a total withholding tax rate from dividends of 26.375%. Corporate Non-German holders will generally be entitled to a refund in the amount of two-fifths of the withholding tax (including solidarity surcharge). This does not preclude a further reduction of withholding tax, if any, available under a relevant tax treaty.

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## **Table of Contents**

For many Non-German holders (e.g. U.S. holders), the withholding tax rate is currently reduced under applicable income tax treaties. Under most income tax treaties to which Germany is a party, the rate of dividend withholding tax is reduced to 15%. To reduce the withholding to the applicable treaty rate of 15%, a Non-German holder must apply for a refund of withholding taxes paid. The application for refund must be filed within four years following the end of the calendar year in which the dividend distribution was effected with the German Federal Tax Office (Bundeszentralamt für Steuern, D-53221 Bonn, Germany; <http://www.bzst.bund.de>). The relevant forms can be obtained from the German Federal Tax Office or from German embassies and consulates. Special rules apply to U.S. holders (as defined below).

On October 20, 2011, the European Court of Justice (Case C 284/09) decided that the German dividend taxation with respect to withholding taxes on dividends paid to non-resident corporate portfolio shareholders, i.e., shareholders that hold less than 10% (before January 1, 2009; less than 15%; before January 1, 2007: less than 20%) of the capital of the Company, is incompatible with the free movement of capital (Art. 56 par. 1 of the EC Treaty and Art. 40 of the Agreement on the European Economic Area). Consequences of this judgment are set out by the German Federal Tax Court decisions of January 11, 2012 (I R 25/10; I R 30/10) and by a regulation by the German Ministry of Finance of May 23, 2012. Corporate portfolio shareholders resident in the European Union, Island or Norway should consult their tax advisors to explore opportunities for a full refund of German withholding tax based on these decisions.

### **Refund procedure for U.S. holders**

Under the current income tax convention between the United States and Germany (the Treaty), a partial refund of the 25% withholding tax equal to 10% of the gross amount of the dividend and a full refund of the solidarity surcharge can be obtained by a U.S. holder.

To claim the refund of amounts withheld in excess of the Treaty rate, a U.S. holder must submit (either individually or, as described below, through the Data Medium Procedure participant) a claim for refund to the German tax authorities. Individual claims for refunds may be made on a special German form which must be filed with the German Federal Tax Office (Bundeszentralamt für Steuern, D-53221 Bonn, Germany). Copies of this form may be obtained from the German Federal Tax Office at the same address or from the Embassy of the Federal Republic of Germany, 2300 M Street, N.W., Washington, D.C. 20037, or can be downloaded from the homepage of the German Federal Tax Office (<http://www.bzst.bund.de>). Claims must be filed within a four-year period from the end of the calendar year in which the dividend was received.

As part of the individual refund claim, an eligible U.S. holder must submit to the German tax authorities the original bank voucher (or a certified copy thereof) issued by the paying agent documenting the tax withheld, and an official certification on Internal Revenue Service (IRS) Form 6166. This certification can be obtained from the Internal Revenue Service by filing a request for certification (generally on an IRS Form 8802, which will not be processed unless a user fee is paid) with the Internal Revenue Service, P.O. Box 71052, Philadelphia, PA 19176-6052. U.S. holders should consult their own tax advisors regarding how to obtain an IRS Form 6166.

If the U.S. holder's bank or broker elects to participate in the Data Medium Procedure, an IT-supported quick-refund procedure (the DMP), such bank or broker (the DMP Participant) will perform administrative functions necessary to claim the Treaty refund for the beneficiaries. The refund beneficiaries must confirm to the DMP Participant that they meet the conditions of the Treaty provisions and that they authorize the DMP Participant to file applications and receive notices and payments on their behalf. Further each refund beneficiary must confirm that (i) it is the beneficial owner of the dividends received; (ii) it is resident in the U.S. in the meaning of the Treaty; (iii) it does not have its domicile, residence or place of management in Germany; (iv) the dividends received do not form part of a permanent establishment or fixed base in Germany; and (v) it commits, as it participates in the DMP, not to claim separately for refund.

The beneficiaries also must provide an IRS Form 6166 certification with the DMP Participant (see general instructions, in the second preceding paragraph, above, regarding how to obtain a Form 6166). The DMP Participant is required to keep these documents in its files and prepare and file a combined claim for refund with the German tax authorities by electronic media. The combined claim provides evidence of a U.S. holder's personal data including its U.S. Tax Identification Number.

## **Table of Contents**

The German tax authorities reserve the right to audit the entitlement to tax refunds for several years following their payment pursuant to the Treaty in individual cases. The DMP Participant must assist with the audit by providing the necessary details or by forwarding the queries to the respective refund beneficiaries.

The German tax authorities will issue refunds denominated in euros. In the case of shares held through banks or brokers participating in the Depository, the refunds will be issued to the Depository, which will convert the refunds to dollars. The resulting amounts will be paid to banks or brokers for the account of the U.S. holders.

### **Capital gains**

Under German domestic tax law as currently in effect, capital gains earned by a Non-German holder from the sale or other disposition of shares or ADSs are subject to tax in Germany if such Non-German holder has held, directly or indirectly, shares or ADSs representing 1% or more of the registered share capital of the company at any time during the five-year period immediately preceding the disposition. Based on the current provisions, capital gains generally are not taxable if the above mentioned threshold is not exceeded and certain further conditions are met.

U.S. holders that qualify for benefits as U.S. residents under the Treaty are exempt from taxation in Germany on capital gains derived from the sale or disposition of shares or ADSs.

Shareholders whose shares are held in an account with a German bank or financial services institution (including a German branch of a non-German bank or financial services institution) are urged to consult their own advisors. This summary does not discuss their particular tax situation.

### **Inheritance and gift tax**

Under German law, in principle, German gift or inheritance tax will be imposed only on transfers by a holder of shares or ADSs at death or by way of gift (as defined by the German Inheritance Tax Law), if

- (1) the decedent or donor, or the heir, donee or other transferee has his residence or habitual abode (gewöhnlicher Aufenthalt) in Germany at the time of the transfer;
- (2) the shares or ADSs are part of the business property of a permanent establishment in Germany;
- (3) the decedent or donor, or the heir, donee or other transferee is a citizen of Germany, is not a resident in Germany, but has not been continuously outside of Germany for a period of more than five years; or
- (4) the shares or ADSs subject to such transfer form part of a portfolio that represents 10% or more of the registered share capital of the company and has been held, directly or indirectly, by the decedent or donor, respectively, actually or constructively together with related parties.

The right of the German government to impose inheritance or gift tax on a Non-German holder may be limited by an applicable estate tax treaty (such as the U.S.-German Inheritances and Gifts Tax Treaty of December 3, 1980).

### **Other taxes**

No German transfer, stamp or similar taxes apply to the purchase, sale or other disposition of shares or ADSs by a Non-German holder. Currently, net worth tax is not levied in Germany.

## **Table of Contents**

### **U.S. FEDERAL INCOME TAXATION**

This section describes the material U.S. federal income tax consequences of owning our shares or ADSs. It applies to U.S. holders (as defined below) who hold shares or ADSs as capital assets for U.S. federal income tax purposes and are eligible for benefits as a U.S. resident under the Treaty with respect to an investment in the shares or ADSs. This section does not address all material U.S. federal income tax consequences of owning shares or ADSs. It does not address special classes of holders, some of which may be subject to other rules, including:

tax-exempt entities;

life insurance companies;

dealers in securities;

traders in securities that elect a mark-to-market method of accounting for securities holdings;

investors liable for alternative minimum tax;

partnerships, or other entities classified as partnerships, for U.S. federal income tax purposes;

investors that actually or constructively own 10% or more of our voting stock;

investors that hold shares or ADSs as part of a straddle or a hedging or conversion transaction;

investors that purchase or sell shares or ADSs as part of a wash sale for U.S. federal income tax purposes; or

investors whose functional currency is not the U.S. dollar.

This section is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed Treasury regulations, and published rulings and court decisions, as well as on the Treaty, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of JPMorgan, as depository, and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

A U.S. holder is a beneficial owner of shares or ADSs and, for U.S. federal income tax purposes, a citizen or resident of the United States, a domestic corporation or otherwise subject to U.S. federal income taxation on a net income basis in respect of shares or ADSs.

This discussion addresses only U.S. federal income taxation. U.S. holders should consult their own tax advisor regarding the United States federal, state, local and other tax consequences of owning and disposing of shares and ADSs in your particular circumstances. In particular, you should confirm that you are eligible as a U.S. resident for benefits under the Treaty in respect of your investment in the shares or ADSs.

A U.S. holder of the ADSs generally will be treated for U.S. federal income tax purposes as the beneficial owner of the shares represented by those ADSs, in which case no gain or loss will be recognized upon an exchange of the shares for ADSs or an exchange of the ADSs for shares.

**Taxation of dividends**

U.S. holders must include the gross amount of dividends paid on the shares or ADSs, without reduction for German withholding tax, in ordinary income as foreign source dividend income on the date that they receive them (or, in the case of ADSs, on the date that JPMorgan receives them), translating dividends paid in euro into U.S. dollars using the exchange rate in effect on such date, regardless of whether the payment in fact is converted into U.S. dollars.

In the case of non-corporate U.S. holders, the U.S. dollar amount of dividends paid to them in taxable years beginning on or before December 31, 2012 with respect to the shares or ADSs will be subject to taxation at a maximum rate of 15% if the dividends are qualified dividends, provided that the shares or ADSs are held for

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## **Table of Contents**

more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends paid on the shares or ADSs generally will be treated as qualified dividends if we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (PFIC). Based on our audited financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2011 taxable year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2012 taxable year. However, as PFIC status is a factual matter that must be determined annually at the close of each taxable year, there can be no certainty as to our actual PFIC status in any particular year until the close of the taxable year in question.

German tax withheld from dividends will be treated, up to the 15% rate provided under the Treaty, as a foreign income tax that, subject to generally applicable limitations under U.S. tax law, is eligible for credit against the U.S. federal income tax liability of U.S. holders or, if they have elected to deduct such taxes, may be deducted in computing taxable income. Dividends will be income from sources outside the United States. Dividends will, depending on the respective circumstances, be either passive or general income for purposes of computing the foreign tax credit allowable to a U.S. holder. The rules governing the foreign tax credit are complex. Each U.S. holder is urged to consult its own tax advisor concerning whether, and to what extent, a foreign tax credit will be available under the Treaty with respect to dividends received from us. To the extent a refund of the tax withheld is available to a U.S. holder under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against the U.S. federal income tax liability. Fluctuations in the dollar-euro exchange rate between the date that a U.S. holder includes a dividend in taxable income and the date when the related refund of German withholding tax is received may give rise to foreign currency gain or loss, which generally is treated as ordinary income or loss for U.S. federal income tax purposes. See German Taxation Refund procedure for U.S. holders above for the procedures for obtaining a tax refund.

### **Taxation of sales or other taxable dispositions**

Sales or other taxable dispositions of shares or ADSs by U.S. holders generally will give rise to U.S. source capital gain or loss equal to the difference between the U.S. dollar value of the amount realized on the disposition and the U.S. holder's U.S. dollar basis in the shares or ADSs. Any such capital gain or loss generally will be long-term capital gain or loss, subject to taxation at reduced rates for non-corporate taxpayers, if the shares or ADSs were held for more than one year. The deductibility of capital losses is subject to limitations.

### **Information reporting and backup withholding**

Dividend payments made to holders and proceeds paid from the sale, exchange, redemption or disposal of shares or ADSs may be subject to information reporting to the Internal Revenue Service. Such payments may be subject to backup withholding taxes unless the holder (i) is a corporation or other exempt recipient or (ii) provides a taxpayer identification number on a properly completed IRS Form W-9 and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

### **DOCUMENTS ON DISPLAY**

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, we file reports and other information with the Securities and Exchange

**Table of Contents**

Commission. These materials, including this annual report and the exhibits thereto, may be inspected and copied at the Commission's Conventional Reading Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of the materials may be obtained from the Conventional Reading Room of the Commission at 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the Commission's Conventional Reading Room by calling the Commission in the United States at 1-800-SEC-0330. Our filings, including this annual report, are also available on the Commission's website at [www.sec.gov](http://www.sec.gov). In addition, material filed by us can be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005 and is also available on the New York Stock Exchange's website at [www.nyse.com](http://www.nyse.com).

**ITEM 11: QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

For quantitative and qualitative disclosures about market risks see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 32 Financial risk management.

**ITEM 12: DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**AMERICAN DEPOSITARY SHARES**

The ADSs of Siemens Aktiengesellschaft, each representing one of our common shares, trade on the New York Stock Exchange under the symbol "SI". The ADSs are evidenced by American Depositary Receipts, or ADRs, issued by Deutsche Bank Trust Company Americas (DBTCA) as depositary under the deposit agreement, as amended in February 2012, among Siemens Aktiengesellschaft, DBTCA and the holders and beneficial owners from time to time of ADRs issued under the deposit agreement (Deposit Agreement). On February 28, 2012, DBTCA succeeded JPMorgan Chase Bank, N.A. (JPMorgan) as depositary under the Deposit Agreement.



**Table of Contents**

The following is a summary of the fee provisions of the Deposit Agreement. For more complete information regarding ADRs, you should read the entire Deposit Agreement, as amended, and the form of ADR.

**Persons depositing or withdrawing shares in exchange for ADSs or holding ADSs, as the case may be, must pay:**

US\$5.00 for each 100 ADSs (or portion thereof) issued, delivered, reduced, cancelled or surrendered (as the case may be)

US\$1.50 per ADR

A fee equal to the fee which would have been charged by the depositary if the relevant securities distributed had been shares and the shares had been deposited for issuance of ADSs

An aggregate fee of US\$0.04 per ADS (or portion thereof) per calendar year

Fees and expenses incurred by the depositary

Stock transfer or other taxes and other governmental charges

Any other charge payable by the depositary, any of its agents (including the custodian), or the agents of the depositary's agents in connection with the servicing of the shares or other deposited securities

**For:**

Issuances of ADSs, including, without limitation, issuances

against deposits of shares,

in respect of distributions of shares,

in respect of rights distributions,

in respect of other distributions,

pursuant to a stock dividend or stock split, or

pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities

Withdrawal of deposited securities upon surrender of ADSs; cancellation or reduction of ADSs for any other reason

Transfers on the register

Distributions or sales of securities

Services performed by the depositary in administering the ADRs

Expenses incurred by the depositary in delivering deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rules or regulations

Cable and facsimile transmission and delivery charges incurred at the request of persons depositing, or holders of ADSs delivering shares, ADRs or deposited securities

Transfer or registration fees for the registration or transfer of deposited securities on any applicable register

Converting foreign currency to U.S. dollars

As necessary

As necessary

## **Table of Contents**

The fees and charges described above may at any time and from time to time be changed by agreement between the depositary and Siemens with notice thereof provided to holders of ADSs in the manner required by the form of ADR.

The depositary may sell (by public or private sale) sufficient securities and property received in respect of share distributions, rights and other distributions prior to their deposit to pay the applicable charges. The depositary may deduct its expenses for converting foreign currency to U.S. dollars from such foreign currency. The depositary has sole discretion to decide whether the charges mentioned above for transfers on the register (US\$1.50 per ADR), distributions or sales of securities (calculated as if the securities were shares), administration fees (US\$0.04 per ADS per year), and any other charge payable by the depositary, any of its agents (including the custodian), or the agents of the depositary's agents in connection with the servicing of the shares or other deposited securities shall be billed to the relevant holder or deducted from one or more cash distributions.

### **DIRECT PAYMENTS BY THE DEPOSITARY TO SIEMENS**

DBTCA, our current depositary, reimbursed us US\$30,000 ( 22,817) for legal costs, which we incurred in connection with the change of depositary. In addition, DBTCA has agreed to make certain annual reimbursements to us, which we will use toward investor relations expenses and other expenses (including accounting and audit costs) related to the maintenance of the ADR program. We did not receive an annual reimbursement from DBTCA in fiscal 2012.

JPMorgan, as our former depositary, had agreed to reimburse us for certain reasonable expenses incurred by us in connection with the ADR program. Reimbursable expenses included amounts spent in connection with investor relations activities (relating to, or arising out of, the ADR program), ADR holder identifications, ADR program related annual general meeting services, reasonable ADR related legal and accounting fees, the share register, and ongoing NYSE listing fees. In fiscal 2012, JPMorgan reimbursed us an amount of US\$ 1.437 million ( 1.145 million).

### **INDIRECT PAYMENTS AND WAIVED FEES**

As part of its service as depositary, DBTCA has agreed to arrange for the local custody of the underlying shares and absorb the costs of servicing the same; to waive the costs associated with servicing and maintenance of registered ADR holder accounts, including distributions of ADR holder communications; to waive the cost associated with administrative and reporting services under the ADR program, such costs being valued at US\$100,000 per year; and to waive the access charges to www.adr.db.com, such costs being valued at US\$15,000 per year. In addition, DBTCA absorbed costs of the initial printing of ADR certificates and of advertizing and promoting the ADR program, such costs being valued in total at US\$20,000.

**Table of Contents**

**PART II**

**ITEM 13: DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

Not applicable.

**ITEM 14: MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

Not applicable.

**ITEM 15: CONTROLS AND PROCEDURES**

**DISCLOSURE CONTROLS AND PROCEDURES**

As of September 30, 2012, Siemens performed an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures. The evaluation was performed with the participation of key corporate senior management and senior management of each business sector under the supervision of the CEO, Peter Löscher, and CFO, Joe Kaeser. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported in a timely manner and accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. The Company's management, including the CEO and CFO, concluded that, as of September 30, 2012, Siemens' disclosure controls and procedures were effective.

**MANAGEMENT ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The management of Siemens is responsible for establishing and maintaining adequate internal control over financial reporting. The internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable accounting principles and includes those policies and procedures that:

pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

No system of internal control over financial reporting, including one determined to be effective, may prevent or detect all misstatements. It can provide only reasonable assurance regarding financial statement preparation and presentation. Also, projections of the results of any evaluation of the effectiveness of internal control over financial reporting into future periods are subject to the inherent risk that the relevant controls may become inadequate due to changes in circumstances or that the degree of compliance with the underlying policies or procedures may deteriorate.

Siemens' management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2012. In making this assessment, it used the criteria set forth in the Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s publication

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Internal Control Integrated Framework. As a result of this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of September 30, 2012.

## **Table of Contents**

The effectiveness of the Company's internal control over financial reporting as of September 30, 2012 has been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (E&Y), an independent registered public accounting firm, as stated in their report, which is included below.

### **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Supervisory Board of Siemens Aktiengesellschaft:

We have audited Siemens Aktiengesellschaft and subsidiaries' internal control over financial reporting as of September 30, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Siemens Aktiengesellschaft's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Siemens Aktiengesellschaft and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of September 30, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Siemens Aktiengesellschaft and subsidiaries as of September 30, 2012 and 2011, and the related consolidated statements of income, comprehensive income, cash flow and changes in equity for each of the three years in the period ended September 30, 2012, and our report dated November 21, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Munich, Germany

November 21, 2012

**Table of Contents****CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There were no changes in the Company's internal control over financial reporting during fiscal 2012 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

**ITEM 16A: AUDIT COMMITTEE FINANCIAL EXPERT**

Our Supervisory Board has determined that two members of the Company's Audit Committee, Dr. Gerhard Cromme and Dr. Hans Michael Gaul, are financial experts. Dr. Cromme and Dr. Gaul are independent, as that term is defined in Rule 10A-3 under the Securities Exchange Act for purposes of the listing standards of the New York Stock Exchange applicable to Siemens.

**ITEM 16B: CODE OF ETHICS**

The Company's Code of Ethics for Financial Matters (Code of Ethics) applies to the principal officers of Siemens AG and its subsidiaries, including the members of the Managing Board of Siemens AG, the Corporate Vice President and Controller of Siemens AG, the CEOs, CFOs and Heads of Accounting & Controlling at various levels within the Siemens organizational structure and certain mandatory internal certifiers, as defined in the Code of Ethics, who are part of the Siemens Sarbanes-Oxley Act section 302 certification process. A copy of the Code of Ethics is available on the Company's website at [www.siemens.com/investor/en/corporate\\_governance/compliance.htm](http://www.siemens.com/investor/en/corporate_governance/compliance.htm).

**ITEM 16C: PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Fees related to professional services rendered by the Company's principal accountant, Ernst & Young (E&Y), for fiscal 2012 and 2011 were as follows:

Type of Fees	Year ended September 30,	
	2012	2011
	(in millions of €)	
Audit fees	44.2	42.0
Audit-related fees	10.6	14.8
Tax fees	0.4	0.7
All other services		
<b>Total</b>	<b>55.2</b>	<b>57.5</b>

Audit fees and audit-related fees consist of fees associated with the services pre-approved by the Audit Committee described below. Tax fees, which require specific pre-approval by the Audit Committee, include primarily fees for support services provided in connection with the documentation of transfer pricing arrangements and assistance for competent authority procedures according to Article 25 of the OECD Model Tax Convention regarding transfer pricing issues.

In fiscal 2012, 47% of the total fees related to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Germany.

**AUDIT COMMITTEE PRE-APPROVAL POLICIES**

In accordance with German law, Siemens' independent auditor is appointed by the Annual Shareholders' Meeting based on a recommendation of the Supervisory Board. The Audit Committee of the Supervisory Board prepares the board's recommendation on the election of the Company's independent auditor. Subsequent to the auditor's appointment, the Audit Committee engages the auditor and in its sole authority approves the terms and scope of the audit and all audit engagement fees. In addition, it monitors the auditor's independence.



## **Table of Contents**

In order to ensure the integrity of independent audits, Siemens' Audit Committee has established a policy to approve all audit and permissible audit-related services provided by our independent auditor prior to the auditor's engagement. As part of this approval process, the Audit Committee adopted pre-approval policies and procedures pursuant to which the Audit Committee annually pre-approves certain types of services to be performed by Siemens' independent auditor. Under the policies, the Company's independent auditor is not allowed to perform any non-audit services which either (1) may impair the auditor's independence under applicable German regulations or the rules and regulations of the International Ethics Standards Board for Accountants (IESBA), the International Federation of Accountants (IFAC), the U.S. Securities and Exchange Commission (SEC) or the Public Company Accounting Oversight Board (PCAOB) or (2) which can be more effectively or economically provided by another provider, even if permissible under the relevant independence rules. Furthermore, the Audit Committee has limited the sum total of all fees that may be incurred during a fiscal year for non-audit services, including audit-related services, tax services and other services, to 30% of the audit fees agreed upon for the respective fiscal year. The Audit Committee waived this limitation for fiscal 2011, primarily due to the audit-related services pertaining to the sale of Siemens IT Solutions and Services in that year and the then-planned initial public offering of OSRAM.

The Audit Committee has generally pre-approved the performance by E&Y of audit and audit-related services, including among others the following:

### **AUDIT SERVICES**

Annual audit of Siemens' Consolidated Financial Statements and its internal control over financial reporting

Quarterly review of Siemens' interim consolidated financial statements

Audit and review services that are required by statute or regulation, including statutory audits of financial statements of Siemens AG and of its subsidiaries under the rules of their respective countries

Opening balance sheet audits in connection with acquisitions, including audits with regard to the allocation of purchase prices

### **AUDIT-RELATED SERVICES**

Voluntary local GAAP audits

Due diligence relating to actual or contemplated acquisitions and carve-outs, including consultation in accounting matters

Post-closing audits

Carve-out audits and attestation services in the context of carve-outs

Certification services required by regulation, law or contractual agreement

Consultation concerning financial accounting and reporting standards based on the auditor's knowledge of Siemens-specific circumstances, including:



Accounting advice relating to actual or contemplated transactions or events

Advice on the introduction and review of new or revised accounting guidelines and requirements

Training regarding accounting-related topics

Comfort letters

Employee benefit plan audits

ISAE 3402 / SSAE 16 reports

Attestation services subject to regulatory requirements, including regulatory advice

**Table of Contents**

Attestation and audits in connection with the European Community Directive on Waste Electrical and Electronic Equipment

Attestation of compliance with provisions or calculations required by agreements

Attest services in accordance with applicable standards, other than audit services required by statute or other regulation

Services that are not generally pre-approved as audit or audit-related services require specific pre-approval by the Audit Committee. An approval may not be granted if the service falls into a category of services not permitted by current law or if it is inconsistent with ensuring the auditor's independence, as expressed in the four principles promulgated by the U.S. Securities and Exchange Commission: (1) an auditor may not act as management or an employee of the audit client; (2) an auditor may not audit his or her own work; (3) an auditor may not serve in an advocacy role for his or her client; and (4) an auditor may not provide services creating a mutual or conflicting interest between itself and the audit client.

While non-audit-related services are not prohibited by law, except for certain types of non-audit services enumerated in the SEC's rules, the Audit Committee has decided as a matter of policy not to engage the principal accountant to provide non-audit-related services unless there is a compelling advantage to the Company in using the principal accountant and it can clearly be shown that there is no impairment of independence.

**ITEM 16D: EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Information required by this Item is incorporated by reference to Item 10: Additional information Management and control structure Supervisory Board.

**ITEM 16E: PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

The following table sets out certain information concerning purchases by us during fiscal 2012:

Period	(a) Total number of shares purchased	(b) Average price paid per share (in )	(c) Total number of shares purchased as part of publicly announced plans or programs <sup>(1)</sup>	(d) Maximum number of shares that may yet be purchased under the plans or programs at month-end <sup>(2)</sup>
October 1, 2011 - October 31, 2011				91,420,342
November 1, 2011 - November 30, 2011				91,420,342
December 1, 2011 - December 31, 2011				91,420,342
January 1, 2012 - January 31, 2012				91,420,342
February 1, 2012 - February 28, 2012				91,420,342
March 1, 2012 - March 31, 2012				91,420,342
April 1, 2012 - April 30, 2012				91,420,342
May 1, 2012 - May 31, 2012				91,420,342
June 1, 2012 - June 30, 2012				91,420,342
July 1, 2012 - July 31, 2012				91,420,342
August 1, 2012 - August 31, 2012	11,471,500	74.26	11,471,500	79,948,842
September 1, 2012 - September 30, 2012	11,731,000	77.98	11,731,000	64,897,500 <sup>(2)</sup>
<b>Total</b>	<b>23,202,500</b>	<b>76.14</b>	<b>23,202,500</b>	

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- (1) On August 2, 2012, Siemens announced a share buyback adopted by the Managing Board and approved by the Supervisory Board. The share buyback provides for repurchase of up to 3 billion of shares to be executed by December 30, 2012 at the latest. Shares

**Table of Contents**

repurchased under the buyback serves the purposes of cancellation and reduction of capital stock, issuance to employees, board members of affiliated companies and members of the Managing Board as well as for convertible bonds and warrant bonds. As of September 30, 2012, shares amounting to 1,767 million were repurchased; accordingly shares equaling an amount of approximately 1.2 billion may yet be repurchased by December 30, 2012.

- (2) Under the currently effective resolution of the Annual Shareholders Meeting of January 25, 2011, which took effect on March 1, 2011 and remains in force until January 24, 2016, Siemens may repurchase up to a limit of 10% of its capital stock, which represented 91,420,342 Siemens shares until August, 2012. Due to the reduction of capital stock by cancellation of 33,203,421 treasury shares in September 2012, the total number of shares that may yet be repurchased was reduced by 3,320,342. Since 23,202,500 Siemens shares were repurchased in fiscal 2012, 64,897,500 treasury shares may yet be repurchased under the current authorization.

The table above omits Siemens shares purchased by pension and other postretirement benefit plans sponsored by Siemens which purchased those shares independently of Siemens. In fiscal 2012, the principal Siemens-sponsored pension and other postretirement benefit plans purchased 1,899,272 shares of Siemens AG common stock at an average price of 72.37 per share.

For further information on shares held in treasury see Item 18: Financial Statements Notes to Consolidated Financial Statements Note 26.

**ITEM 16F: CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G: CORPORATE GOVERNANCE**

**SIGNIFICANT DIFFERENCES BETWEEN SIEMENS CORPORATE GOVERNANCE AND NYSE CORPORATE GOVERNANCE STANDARDS**

Companies listed on the NYSE are subject to the Corporate Governance Standards of Section 303A (NYSE Standards) of the NYSE Listed Company Manual. Under the NYSE Standards, Siemens AG, as a foreign private issuer, is permitted to follow its home-country corporate governance practices in lieu of the NYSE Standards, except that it must comply with the NYSE Standards in having an audit committee whose members are independent within the meaning of the SOA as well as with certain NYSE notification obligations. In addition, the NYSE Standards require that foreign private issuers disclose any significant differences between their own corporate governance practices and those that the NYSE Standards require of U.S. domestic companies.

As a company incorporated in Germany, Siemens AG must comply in the first instance with the German Stock Corporation Act and the German Codetermination Act and voluntarily follows the recommendations of the German Corporate Governance Code as set out in Item 10: Additional information Articles of Association and relevant provisions of German law Corporate Governance Declaration of Conformity with the German Corporate Governance Code. Furthermore, Siemens complies with all binding rules and regulations of the markets on which its securities are listed, such as the NYSE, and also voluntarily complies with many of the NYSE requirements that by their terms apply only to U.S. domestic issuers. For additional information on our corporate governance, please refer to Item 6: Directors, senior management and employees, and to Item 10: Additional information.

The significant differences between our governance practices and those of domestic U.S. NYSE issuers are as follows:

**Two-Tier Board** The German Stock Corporation Act requires Siemens AG to have a two-tier board structure consisting of a Managing Board and a Supervisory Board. The two-tier structure is characterized by a strict separation of management and supervision. The roles and responsibilities of each of the two boards are clearly defined by law. The composition of the Supervisory Board is determined in accordance with the German Codetermination Act, which stipulates that one-half of the required 20 Supervisory Board members are to be elected by our employees in Germany. The Chairman of the Supervisory Board is entitled to cast a deciding vote when the Supervisory Board is unable to reach a decision in two separate rounds of voting.

**Independence** In contrast to the NYSE Standards, which require a board of directors to affirmatively determine the independence of the individual directors with reference to specific tests of independence, German



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## **Table of Contents**

law does not require the Supervisory Board to make such affirmative findings on an individual basis. German law requires an audit committee to include at least one independent supervisory board member with knowledge and experience in the application of accounting principles or the auditing of financial statements. In addition, the Bylaws for Siemens' Supervisory Board contain several provisions to help ensure the independence of our Supervisory Board's advice and supervision. Furthermore, the members of our Supervisory and Managing Boards are strictly independent of one another: a member of one board is legally prohibited from being concurrently active on the other. Our Supervisory Board members have independent decision-making authority and are legally prohibited from following any direction or instruction. Moreover, they may not enter into consulting, service or certain other contracts with Siemens, unless approved by the Supervisory Board. We also use the independence criteria of the Code as guiding principles.

**Committees** In contrast to the NYSE Standards, which require the creation of several specific board committees, composed of independent directors and operating pursuant to written charters that define their tasks and responsibilities, the Supervisory Board of Siemens AG has assigned many of the functions of a nominating, compensation and corporate governance committee to its Chairman's Committee and has delegated part of the remaining functions to its Nominating Committee. Nevertheless certain responsibilities—for example, the determination of the compensation of the members of the Managing Board—have not been delegated to a committee because German law requires that these functions be performed by the full Supervisory Board. The Audit Committee, the Chairman's Committee and the Compliance Committee have written bylaws adopted by the Supervisory Board that define their respective tasks and responsibilities. The NYSE Standards were taken into consideration in drawing up these bylaws.

The Audit Committee of Siemens AG is subject to the requirements of the SOA and the U.S. Securities Exchange Act of 1934, as these apply to a foreign private issuer, and performs—in cooperation with the Compliance Committee—functions similar to those assigned to an audit committee by the NYSE Standards. Nevertheless, German law prohibits delegating certain responsibilities—such as the selection of independent auditors (who under German law must be elected at the shareholders' meeting)—to a committee.

The Supervisory Board of Siemens AG also has a Finance and Investment Committee and a Mediation Committee, the latter of which is required under German law. Neither of these committees is required by the NYSE Standards.

**Shareholder Approval of Equity Compensation Plans; Stock Repurchases** The NYSE Standards generally require that the domestic, i.e. U.S. companies listed on the NYSE obtain shareholder approval of all equity compensation plans (including stock option plans) and of any material revisions to such plans. Under German law, the creation of authorized or contingent capital in order to issue shares requires approval by our shareholders. Shareholders must also approve of the key points of a stock option plan as part of a decision regarding the creation of contingent capital or the authorization to repurchase and use Siemens shares for servicing a stock option plan.

Under German law, share buybacks generally require prior shareholder authorization. Such authorization was last given at our Annual Shareholders' Meeting on January 25, 2011, and this matter will, as a general rule, be voted upon at the expiration of each authorization.

## **ITEM 16H: MINE SAFETY DISCLOSURE**

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, issued under the Federal Mine Safety and Health Act of 1977 by the Mine Safety and Health Administration, as well as related assessments and legal actions, and mining-related fatalities. During fiscal 2012, Siemens had no such specified health and safety violations, orders or citations, related assessments or legal actions, mining-related fatalities, or similar events in relation to Siemens' United States operations requiring disclosure pursuant to Section 1503(a) of the Dodd-Frank Act.

**Table of Contents**

**PART III**

**ITEM 18: FINANCIAL STATEMENTS**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Page</b>
<u>Report of Independent Registered Public Accounting Firm Ernst &amp; Young GmbH Wirtschaftsprüfungsgesellschaft</u>	F-2
<u>Consolidated Financial Statements</u>	F-3
<u>Consolidated Statements of Income for the fiscal years ended September 30, 2012, 2011 and 2010</u>	F-3
<u>Consolidated Statements of Comprehensive Income for the fiscal years ended September 30, 2012, 2011 and 2010</u>	F-3
<u>Consolidated Statements of Financial Position as of September 30, 2012 and 2011</u>	F-4
<u>Consolidated Statements of Cash Flow for the fiscal years ended September 30, 2012, 2011 and 2010</u>	F-5
<u>Consolidated Statements of Changes in Equity for the fiscal years ended September 30, 2012, 2011 and 2010</u>	F-6
<u>Notes to Consolidated Financial Statements</u>	F-10

F-1

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Supervisory Board of Siemens Aktiengesellschaft:

We have audited the accompanying consolidated statements of financial position of Siemens Aktiengesellschaft and subsidiaries (the Company) as of September 30, 2012 and 2011, and the related consolidated statements of income, comprehensive income, cash flow and changes in equity for each of the three years in the period ended September 30, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and subsidiaries at September 30, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 2012, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The additional information in the Compensation section as of and for the years ended September 30, 2012 and 2011 presented in Item 6, Directors, Senior Management and Employees, which is not a required part of the financial statements, has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Siemens Aktiengesellschaft and subsidiaries' internal control over financial reporting as of September 30, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 21, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Munich, Germany

November 21, 2012



**Table of Contents****SIEMENS****CONSOLIDATED STATEMENTS OF INCOME**

For the fiscal years ended September 30, 2012, 2011 and 2010

(in millions of €, per share amounts in €)

	Note	2012	2011	2010
Revenue		78,296	73,275	68,828
Cost of goods sold and services rendered		(56,092)	(51,046)	(48,816)
<b>Gross profit</b>		<b>22,204</b>	<b>22,229</b>	<b>20,012</b>
Research and development expenses		(4,238)	(3,899)	(3,547)
Marketing, selling and general administrative expenses		(11,162)	(10,239)	(9,632)
Other operating income	5	516	547	839
Other operating expense	6	(276)	(374)	(1,548)
Income (loss) from investments accounted for using the equity method, net	7	(266)	210	16
Interest income	8	2,234	2,200	2,045
Interest expense	8	(1,728)	(1,716)	(1,758)
Other financial income (expense), net	8	(5)	649	(383)
<b>Income from continuing operations before income taxes</b>		<b>7,279</b>	<b>9,608</b>	<b>6,045</b>
Income taxes	9	(2,094)	(2,232)	(1,716)
<b>Income from continuing operations</b>		<b>5,184</b>	<b>7,376</b>	<b>4,329</b>
Income (loss) from discontinued operations, net of income taxes	4	(595)	(1,055)	(261)
<b>Net income</b>		<b>4,590</b>	<b>6,321</b>	<b>4,068</b>
Attributable to:				
Non-controlling interests		132	176	169
Shareholders of Siemens AG		4,458	6,145	3,899
Basic earnings per share	35			
Income from continuing operations		5.77	8.23	4.80
Income (loss) from discontinued operations		(0.68)	(1.20)	(0.31)
<b>Net income</b>		<b>5.09</b>	<b>7.04</b>	<b>4.49</b>
Diluted earnings per share	35			
Income from continuing operations		5.71	8.14	4.75
Income (loss) from discontinued operations		(0.67)	(1.18)	(0.31)
<b>Net income</b>		<b>5.04</b>	<b>6.96</b>	<b>4.44</b>

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the fiscal years ended September 30, 2012, 2011 and 2010

(in millions of €)

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	2012	2011	2010
Net income	4,590	6,321	4,068
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gains and losses on pension plans and similar commitments	<b>23</b>	(2,101)	(65)
		(2,054)	
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Currency translation differences		855	129
Available-for-sale financial assets	<b>10</b>	209	(59)
Derivative financial instruments	<b>30, 31</b>	63	(121)
		(149)	
		1,127	(51)
			1,090
<b>Other comprehensive income, net of tax<sup>(1)</sup></b>	<b>(974)</b>	<b>(116)</b>	<b>(964)</b>
<b>Total comprehensive income</b>	<b>3,615</b>	<b>6,205</b>	<b>3,104</b>
Attributable to:			
Non-controlling interests		128	169
Shareholders of Siemens AG		3,487	2,892

- (1) Includes income (expense) resulting from investments accounted for using the equity method of 28 million, 8 million and 24 million, respectively, in fiscal 2012, 2011 and 2010 of which (99) million, 10 million and (41) million, respectively, are attributable to items that will not be reclassified to profit or loss. The accompanying Notes are an integral part of these Consolidated Financial Statements.

**Table of Contents****SIEMENS****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of September 30, 2012 and 2011

(in millions of )

	Note	9/30/12	9/30/11
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		10,891	12,468
Available-for-sale financial assets	10	524	477
Trade and other receivables	11	15,220	14,847
Other current financial assets	12	2,901	2,628
Inventories	13	15,679	15,143
Income tax receivables		836	798
Other current assets	14	1,277	1,264
Assets classified as held for disposal	4	4,800	4,917
<b>Total current assets</b>		<b>52,129</b>	<b>52,542</b>
Goodwill			
Other intangible assets	15	17,069	15,706
Property, plant and equipment	16	4,595	4,444
Investments accounted for using the equity method	17	10,763	10,477
Other financial assets	18	4,436	4,966
Deferred tax assets	19	14,666	12,126
Other assets	9	3,777	3,206
		846	776
<b>Total assets</b>		<b>108,282</b>	<b>104,243</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Short-term debt and current maturities of long-term debt	22	3,826	3,660
Trade payables		8,036	7,677
Other current financial liabilities	20	1,460	2,247
Current provisions	24	4,750	5,168
Income tax payables		2,204	2,032
Other current liabilities	21	20,306	21,020
Liabilities associated with assets classified as held for disposal	4	2,054	1,756
<b>Total current liabilities</b>		<b>42,637</b>	<b>43,560</b>
Long-term debt			
Pension plans and similar commitments	22	16,880	14,280
Deferred tax liabilities	23	9,926	7,307
Provisions	9	494	595
Other financial liabilities	24	3,908	3,654
Other liabilities		1,083	824
	25	2,052	1,867
<b>Total liabilities</b>		<b>76,980</b>	<b>72,087</b>
Equity			
Common stock, no par value <sup>(1)</sup>	26	2,643	2,743
Additional paid-in capital		6,173	6,011
Retained earnings		22,756	25,881
Other components of equity		1,058	(68)

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Treasury shares, at cost <sup>(2)</sup>	(1,897)	(3,037)
<b>Total equity attributable to shareholders of Siemens AG</b>	<b>30,733</b>	<b>31,530</b>
Non-controlling interests	569	626
<b>Total equity</b>	<b>31,302</b>	<b>32,156</b>
<b>Total liabilities and equity</b>	<b>108,282</b>	<b>104,243</b>

(1) Authorized: 1,084,600,000 and 1,117,803,421 shares, respectively.  
 Issued: 881,000,000 and 914,203,421 shares, respectively.

(2) 24,725,674 and 39,952,074 shares, respectively.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

F-4

**Table of Contents****SIEMENS****CONSOLIDATED STATEMENTS OF CASH FLOW**

For the fiscal years ended September 30, 2012, 2011 and 2010

(in millions of )

	Note	2012	2011	2010
<b>Cash flows from operating activities</b>				
Net income		4,590	6,321	4,068
Adjustments to reconcile net income to cash provided by (used in) operating activities – continuing operations				
(Income) loss from discontinued operations, net of income taxes		595	1,055	261
Amortization, depreciation and impairments <sup>(1)</sup>		2,744	2,437	3,713
Income taxes		2,094	2,232	1,716
Interest (income) expense, net		(507)	(484)	(287)
(Gains) losses on sales and disposals of businesses, intangibles and property, plant and equipment, net		(146)	(209)	(261)
(Gains) losses on sales of investments, net <sup>(2)</sup>		(211)	(1,019)	(72)
(Gains) losses on sales and impairments of current available-for-sale financial assets, net		2	(1)	13
(Income) losses from investments <sup>(2)</sup>		373	(44)	49
Other non-cash (income) expenses		110	69	(66)
Change in assets and liabilities				
(Increase) decrease in inventories		(85)	(1,126)	89
(Increase) decrease in trade and other receivables		157	(625)	(40)
Increase (decrease) in trade payables		197	651	(22)
Change in other assets and liabilities		(2,218)	(24)	1,178
Additions to assets held for rental in operating leases		(375)	(582)	(622)
Income taxes paid		(1,462)	(1,617)	(1,877)
Dividends received		303	267	529
Interest received		836	780	686
<b>Net cash provided by (used in) operating activities – continuing operations</b>		<b>6,996</b>	<b>8,081</b>	<b>9,055</b>
Net cash provided by (used in) operating activities – discontinued operations		(24)	(314)	294
<b>Net cash provided by (used in) operating activities – continuing and discontinued operations</b>		<b>6,972</b>	<b>7,767</b>	<b>9,349</b>
<b>Cash flows from investing activities</b>				
Additions to intangible assets and property, plant and equipment		(2,206)	(2,163)	(1,939)
Acquisitions, net of cash acquired		(1,314)	(303)	(169)
Purchases of investments <sup>(2)</sup>		(234)	(724)	(373)
Purchases of current available-for-sale financial assets		(182)	(102)	(138)
(Increase) decrease in receivables from financing activities		(2,087)	(1,770)	(192)
Proceeds and (payments) from sales of investments, intangibles and property, plant and equipment <sup>(2)</sup>		753	2,108	585
Proceeds and (payments) from disposals of businesses		93	177	172
Proceeds from sales of current available-for-sale financial assets		142	38	44
<b>Net cash provided by (used in) investing activities – continuing operations</b>		<b>(5,034)</b>	<b>(2,739)</b>	<b>(2,010)</b>
Net cash provided by (used in) investing activities – discontinued operations		(650)	(1,305)	(837)
<b>Net cash provided by (used in) investing activities – continuing and discontinued operations</b>		<b>(5,685)</b>	<b>(4,044)</b>	<b>(2,847)</b>
<b>Cash flows from financing activities</b>				
Purchase of common stock	26	(1,721)		
Proceeds from re-issuance of treasury stock and proceeds (payments) relating to other transactions with owners		297	(764)	147
Proceeds from issuance of long-term debt	22	5,113	113	
Repayment of long-term debt (including current maturities of long-term debt)		(3,218)	(2,046)	(45)
Change in short-term debt and other financing activities		(62)	227	(725)
Interest paid		(503)	(475)	(437)
Dividends paid	26	(2,629)	(2,356)	(1,388)
Dividends paid to non-controlling interest holders		(155)	(158)	(191)