SIEMENS AKTIENGESELLSCHAFT
Form 6-K
February 01, 2006

Table of Contents

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934
For February 1, 2006

Commission File Number: 1-15174

Siemens Aktiengesellschaft

(Translation of registrant s name into English)

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

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

Form 20-F þ Form 40-F o

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

Yes o No þ

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

Yes o No þ

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

Yes o No þ

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

INTRODUCTION

We prepare the Interim Report as an update of our Annual Report, with a focus on the current period. As such, the Interim Report should be read in conjunction with the Annual Report, which includes detailed analysis of our operations and activities.

table of contents

Table of Contents

Key figures (1)

	1st quarter (2)	
	2006	2005
Income from continuing operations *(in millions of euros)*	**815**	1,083
Loss from discontinued operations, net of income taxes (in millions of euros)	***(2)***	*(82)*
Net income *(in millions of euros)*	**813**	1,001
Earnings per share from continuing operations (3) *(in euros)*	**0.92**	1.22
Loss per share from discontinued operations (3) (in euros)	***(0.01)***	*(0.10)*
Earnings per share (3) *(in euros)*	**0.91**	1.12
Net cash from operating and investing activities (4) *(in millions of euros)*	**(820)**	(2,006)
therein: Net cash used in operating activities	***(17)***	*(974)*
Net cash used in investing activities	***(803)***	*(1,032)*
New orders (4) *(in millions of euros)*	**26,788**	20,412
Sales (4) *(in millions of euros)*	**20,719**	17,030

	December 31, 2005	September 30, 2005
Employees (4) *(in thousands)*	**468**	461
Germany	**165**	165
International	**303**	296

(1) Unaudited, focused on continuing operations. (Discontinued operations consist of discontinued mobile devices activities).

(2) October 1, 2005 and 2004 December 31,

2005 and 2004, respectively.

(3) Earnings per share basic.

(4) Continuing operations.

1

Table of Contents

Management s discussion and analysis

Overview of financial results for the first quarter of fiscal 2006

Orders rose to 26.788 billion, up 31% compared to the first quarter a year earlier, and sales increased 22%, to 20.719 billion.

Net income was 813 million compared to 1.001 billion in the prior-year period.

On a continuing basis, net cash from operating and investing activities was a negative 820 million, reflecting a significant increase in net working capital in line with growth. A year earlier, net cash from operating and investing activities was a negative 2.006 billion, including 1.496 billion in supplemental cash pension contributions.

We believe, the first quarter demonstrates that Siemens business portfolio delivers strong growth on the combination of innovative solutions, strong presence in growth markets and acquisitions. Most Groups showed higher earnings, however, net income was affected by severance charges at Com and SBS. With 2006 off to a good start all our measures along with the Product Related Services disposal are directed towards our 2007 targets.

For the first quarter of fiscal 2006, ended December 31, 2005, Siemens reported net income of 813 million, basic earnings per share of 0.91, and diluted earnings per share of 0.87. In the first quarter a year earlier, net income was 1.001 billion and basic and diluted earnings per share were 1.12 and 1.08, respectively. Discontinued operations lost 2 million in the quarter, compared to 82 million in the same period a year earlier. Excluding discontinued operations, income from continuing operations in the first quarter was 815 million, and corresponding basic and diluted earnings per share were 0.92 and 0.87, respectively. A year earlier, income from continuing operations was 1.083 billion, and corresponding basic and diluted earnings per share were 1.22 and 1.16, respectively.

Within our Operations Groups, the Information and Communications Groups incurred sharply higher severance charges. Siemens Business Services (SBS) took 207 million in severance charges and posted a substantially higher loss compared to the first quarter a year earlier, and Communications (Com) took 144 million in severance charges. These combined charges offset a gain of 356 million at Com from sales of shares in Juniper Networks, Inc. (Juniper). A year earlier, Com recorded a 208 million gain in the first quarter from Juniper share sales. Aside from Com and SBS, all other Groups within Operations increased their earnings year-over-year except for Power Generation (PG), which sustained an adverse settlement in arbitration. PG nevertheless remained among Siemens earnings leaders, along with Automation and Drives (A&D), Medical Solutions (Med), Siemens VDO Automotive (SV) and Osram.

Earnings from Financing and Real Estate activities were 132 million compared to 136 million in the first quarter a year ago. Earnings from Corporate Treasury activities were also lower year-over-year, at 65 million compared to 104 million. The difference is an outcome of the shift in Siemens net debt position associated with substantial cash outflows for acquisitions and a build-up of net working capital associated with growth. Net income was further reduced by higher centrally carried pension expense, which resulted from a reduction in the discount rate assumption at the end of fiscal 2005.

First-quarter orders of 26.788 billion were up 31% compared to the first quarter a year earlier, including an unusually high level of large orders. Sales increased 22% year-over-year, to 20.719 billion. Excluding currency and portfolio effects, first-quarter orders rose 13% and sales were up 7% year-over-year, with strong order contributions from Power Transmission and Distribution (PTD), Transportation Systems (TS), PG, Siemens Building Technologies (SBT) and A&D. On a regional basis, growth was strongest in Asia-Pacific. In China, orders and sales rose 73% and 59%, while growth was even stronger in India, where orders more than tripled year-over-year. For Asia-Pacific as whole, orders increased 70% year-over-year and sales rose 44%.

On a continuing basis, Operations in the first quarter used 930 million in net cash from operating and investing activities, including outflows for investments and acquisitions, as well as a significant build-up of net working capital. In the prior-year period, operating and investing activities within Operations used net cash of 1.998 billion, including PG s acquisition of its wind power business and 1.496 billion in supplemental pension plan contributions. For Siemens on a continuing basis, operating and investing activities in the first quarter used net cash of 820 million, compared to net cash used of 2.006 billion a year earlier.

Results of Siemens

Results of Siemens First quarter of fiscal 2006 compared to first quarter of fiscal 2005

The following discussion presents selected information for Siemens for the first quarter:

	First Quarter	
	2006	**2005**
(in millions)		
New orders	26,788	20,412
New orders in Germany	*4,818*	*4,361*
New international orders	*21,970*	*16,051*
Sales	20,719	17,030
Sales in Germany	*4,078*	*3,966*
International sales	*16,641*	*13,064*

Orders of 26.788 billion were up 31% from 20.412 billion a year earlier, including particularly strong demand in Asia-Pacific. Sales for the first quarter of fiscal 2006 were 20.719 billion, a 22% increase from 17.030 billion in the prior-year period. Excluding currency translation effects and the net effect of acquisitions and dispositions, orders rose 13% and sales were up 7%. Large new contracts were numerous and well-distributed, both geographically and among the Groups.

International orders rose 37% compared to the prior-year period, to 21.970 billion, and sales rose 27% year-over-year, to 16.641 billion. In Germany, orders rose 10%, to 4.818 billion, on a balance of both acquisitions and organic growth, while acquisitions pushed sales up 3%, to 4.078 billion. In Europe outside Germany, orders increased 28%, to 8.148 billion, with a strong contribution from acquisitions. Sales in Europe outside Germany rose 17% year-over- year, to 6.673 billion, including organic growth and acquisitions. The growth in U.S. orders and sales, up 19% at 4.398 billion and up 14% at 3.835 billion, respectively, was strongly influenced by currency translation effects. This factor also influenced growth in Asia-Pacific, where orders climbed 70% year-over-year, to 4.864 billion and sales of 2.852 billion were 44% higher than in the prior-year period. Within Asia-Pacific, orders in China surged 73%, to 1.894 billion, and sales in China were up 59%, at 999 million.

	First Quarter	
	2006	**2005**
(in millions)		
Gross profit on sales	5,608	5,433
as percentage of sales	*27.1%*	*31.9%*

Gross profit increased 3% year-over-year, due to a significant increase in sales compared to the prior-year period. Gross profit margin declined, however, to 27.1% from 31.9%, reflecting substantial severance charges at Com and SBS, as well as a lower margin at PG resulting from the change in sales mix and an adverse result in arbitration related to a turnkey project.

	First Quarter	
	2006	**2005**
(in millions)		
Research and development expenses	(1,289)	(1,126)
as percentage of sales	*6.2%*	*6.6%*
Marketing, selling and general administrative expenses	(3,738)	(3,320)
as percentage of sales	*18.0%*	*19.5%*
Other operating income, net	69	17
Income from investments in other companies, net	140	144
Income from financial assets and marketable securities, net	340	299

Interest expense of Operations, net	(4)	(14)
Other interest income, net	53	74

Research and development expenses increased slightly in the first quarter of fiscal 2006, compared to the prior-year period. As a percentage of sales, research and development expenses were 6.2%, down from 6.6% in the first quarter a year earlier. Marketing, selling and general administrative expenses also increased but declined as a percent of sales, from 19.5% to 18.0%, due to significantly higher sales year-over-year. Other operating income, net rose to 69 million from 17 million in the first quarter of fiscal 2005, in part due to gains from real property sales. Income from financial assets and marketable securities in the first quarter was 340 million, up from 299 million. Both periods included gains from the sale of shares in Juniper, which amounted to 356 million in the current year compared to 208 million in the prior-year period. Income from Corporate Treasury activities was lower in the current period, primarily due to interest rate hedging activities not qualifying for hedge accounting.

	First Quarter	
(in millions)	**2006**	**2005**
Income from continuing operations before income taxes	1,179	1,507
Income taxes	(314)	(390)
as percentage of income from continuing operations before income taxes	*27%*	*26%*
Income from continuing operations	815	1,083
Loss from discontinued operations, net of income taxes	(2)	(82)
Net income	813	1,001

In the first quarter, income from continuing operations was 815 million, compared to 1.083 billion a year earlier. The loss from discontinued mobile devices operations, net of income taxes was 2 million compared to 82 million in the prior-year. Net income for the first quarter was 813 million, compared to 1.001 billion in the same period a year earlier.

Table of Contents

Segment information analysis
Operations
Information and Communications
Communications (Com)

	First Quarter			
			% Change	
(in millions)	2006	2005	Actual	Adjusted*
Group profit	323	372	(13)%	
Group profit margin	9.4%	12.0%		
Sales	3,420	3,104	10%	4%
New orders	3,894	3,544	10%	3%

* Excluding currency translation effects of 6% on sales and orders, and portfolio effects of 1% on orders.

Com recorded double-digit growth in the first quarter, increasing sales to 3.420 billion and orders to 3.894 billion. Volume growth came from Com s large carrier networks business, which also increased its earnings contribution year-over-year. While the enterprise networks business posted a modest increase in sales year-over-year, significant severance charges contributed to a loss compared to a positive contribution a year earlier. Com s devices business declined compared to the prior year. For Com overall, Group profit of 323 million included 356 million from the sale of its remaining Juniper shares, more than offsetting a total of 144 million in severance charges. For comparison, Group profit of 372 million in the first quarter a year earlier included 208 million in gains from Juniper share sales.

Siemens Business Services (SBS)

	First Quarter			
			% Change	
(in millions)	2006	2005	Actual	Adjusted*
Group profit	(229)	(25)		
Group profit margin	(16.3)%	(2.0)%		
Sales	1,406	1,256	12%	4%
New orders	1,505	1,850	(19)%	(23)%

* Excluding currency translation effects of 2% on sales and orders, and portfolio effects of 6% and 2% on sales and orders, respectively.

Orders at SBS in the first quarter reached 1.505 billion but came in below the high level of the prior-year period, which included a larger contribution from long-term outsourcing contracts partly involving acquisitions. Conversion of these earlier orders to current business contributed to SBS 12% rise in first-quarter sales year-over-year. Severance charges totaling 207 million contributed substantially to the Group s loss of 229 million for the quarter.

During the quarter, SBS reached an agreement to sell its Product Related Services business to a Siemens joint venture, Fujitsu Siemens Computers BV. The transaction is expected to close in the third quarter.

Table of Contents

Automation and Control

Automation and Drives (A&D)

	First Quarter			
			% Change	
(in millions)	2006	2005	Actual	Adjusted*
Group profit	354	298	19%	
Group profit margin	12.1%	13.0%		
Sales	2,928	2,295	28%	8%
New orders	3,628	2,554	42%	15%

* Excluding currency translation effects of 4% and 5% on sales and orders, respectively, and portfolio effects of 16% and 22% on sales and orders, respectively.

In the first quarter, A&D increased Group profit 19% to 354 million, including positive contributions from Flender Holding GmbH and Robicon Corp., acquired in the fourth quarter of fiscal 2005. Sales and orders climbed to 2.928 billion and 3.628 billion, respectively, as A&D combined volume from its new activities with broad-based organic growth, particularly in China and India.

Beginning in fiscal 2006, A&D includes the Electronics Assembly Systems division on a retroactive basis, to provide a meaningful comparison with prior periods. The division was formerly part of the Logistics and Assembly Systems Group (L&A), which was dissolved as of the beginning of fiscal 2006.

Industrial Solutions and Services (I&S)

	First Quarter			
			% Change	
(in millions)	2006	2005	Actual	Adjusted*
Group profit	55	35	57%	
Group profit margin	2.8%	2.6%		
Sales	1,978	1,368	45%	11%
New orders	2,705	1,749	55%	(2)%

* Excluding currency translation effects of 6% and 5% on sales and orders, respectively, and portfolio effects of 28% and 52% on sales and orders, respectively.

Beginning in fiscal 2006, I&S includes the Airport Logistics and Postal Automation divisions, formerly of L&A, on a retroactive basis. Results for I&S also include significant portions of VA Technologie AG (VA Tech), which Siemens acquired between the periods under review.

I&S recorded a broad-based rise in first-quarter Group profit, to 55 million, including positive contributions from its new businesses. Sales rose to 1.978 billion, on double-digit organic growth combined with new revenues from the Group s expansion. Orders climbed to 2.705 billion, primarily due to new volume from the VA Tech business, particularly a large order in Poland.

Siemens Building Technologies (SBT)

	First Quarter			
			% Change	
(in millions)	**2006**	**2005**	*Actual*	*Adjusted**
Group profit	50	49	2%	
Group profit margin	4.5%	4.9%		
Sales	1,102	1,010	9%	4%
New orders	1,373	1,088	26%	19%

* Excluding currency translation effects of 4% and 6% on sales and orders, respectively, and portfolio effects of 1% on sales and orders.

Table of Contents

Group profit at SBT was 50 million in the first quarter. For comparison, Group profit of 49 million in the same period a year earlier included a gain on the sale of an investment. Sales of 1.102 billion in the first quarter were up 9% year-over-year, and orders climbed 26%, to 1.373 billion, including broad-based growth in SBT s security, safety, building comfort and building automation solutions.

Power

Power Generation (PG)

	First Quarter			
			% Change	
(in millions)	**2006**	**2005**	*Actual*	*Adjusted**
Group profit	177	214	(17)%	
Group profit margin	8.5%	13.6%		
Sales	2,074	1,578	31%	16%
New orders	4,060	2,485	63%	44%

* Excluding currency translation effects of 4% on sales and orders, and portfolio effects of 11% and 15% on sales and orders, respectively.

PG contributed Group profit of 177 million in the first quarter. The difference compared to the prior year is due to an adverse result in arbitration related to a turnkey project in the Philippines, which dates back to 1999 and for which the Group had previously taken some provisions. Group profit for the current period included 33 million in cancellation gains, compared to 29 million in the prior-year period. The decline in earnings margin also reflects the shift in the Group s sales mix toward faster growth in industrial turbine and alternative energy activities relative to fossil power generation. Sales climbed 31% compared to the prior-year period, to 2.074 billion, and orders jumped 63%, to 4.060 billion, on broad-based demand including major orders in Europe and Asia-Pacific.

Power Transmission and Distribution (PTD)

	First Quarter			
			% Change	
(in millions)	**2006**	**2005**	*Actual*	*Adjusted**
Group profit	84	52	62%	
Group profit margin	5.8%	6.2%		
Sales	1,456	834	75%	23%
New orders	2,473	1,093	126%	72%

* Excluding currency translation effects of 9% and 13% on sales and orders, respectively, and portfolio effects of 43% and 41% on sales and orders, respectively.

PTD posted higher Group profit of 84 million in the first quarter, combining a positive contribution from its portion of the VA Tech acquisition with broad-based earnings increases in its existing businesses. PTD also delivered significant organic growth to go along with new volume from VA Tech, particularly in its High Voltage division which won two large contracts in the Middle East. As a result, PTD s sales climbed 75% year-over-year, to 1.456 billion, and the Group s orders more than doubled, to a record 2.473 billion.

6

Table of Contents

Transportation

Transportation Systems (TS)

	First Quarter			
			% Change	
(in millions)	2006	2005	Actual	Adjusted*
Group profit	21	20	5%	
Group profit margin	2.0%	2.0%		
Sales	1,064	1,014	5%	1%
New orders	2,077	1,230	69%	65%

* Excluding currency translation effects of 2% and 3% on sales and orders, respectively, and portfolio effects of 2% and 1% on sales and orders, respectively.

First-quarter Group profit at TS was up year-over-year, at 21 million, and sales also rose compared to the same quarter a year earlier. Orders for TS overall surged 69% year-over-year, to 2.077 billion, on major new orders for trains in China, Spain and Austria, as well as rising demand for mass transit and rail automation solutions.

Siemens VDO Automotive (SV)

	First Quarter			
			% Change	
(in millions)	2006	2005	Actual	Adjusted*
Group profit	163	144	13%	
Group profit margin	6.7%	6.3%		
Sales	2,448	2,285	7%	2%
New orders	2,448	2,294	7%	2%

* Excluding currency translation effects of 5% on sales and orders.

SV s first-quarter Group profit of 163 million includes higher R&D investments compared to the prior year and a gain on the sale of its portion of a joint venture in North America. Sales and orders were up 7% compared to the first quarter a year earlier, led by growth in the Powertrain division and Chassis and Carbody division.

Medical

Medical Solutions (Med)

	First Quarter			
			% Change	
(in millions)	2006	2005	Actual	Adjusted*
Group profit	246	215	14%	

Group profit margin	12.4%	13.0%		
Sales	1,984	1,656	20%	11%
New orders	2,156	2,030	6%	(1)%

* Excluding currency translation effects of 7% and 6% on sales and orders, respectively, and portfolio effects of 2% and 1% on sales and orders, respectively.

In the first quarter, Med increased Group profit 14% year-over-year, to 246 million. The Group s earnings margin reflects currency-related effects, as well as higher R&D investments compared to the prior-year period. Installations of Med s advanced diagnostics imaging solutions drove a double-digit increase in sales, which reached 1.984 billion, and orders rose to 2.156 billion for the quarter.

Table of Contents

Lighting

Osram

	First Quarter			
			% Change	
(in millions)	**2006**	**2005**	*Actual*	*Adjusted**
Group profit	125	120	4%	
Group profit margin	10.8%	11.1%		
Sales	1,158	1,083	7%	1%
New orders	1,158	1,083	7%	1%

* Excluding currency translation effects of 6% on sales and orders.

Osram increased its first-quarter Group profit to 125 million and sales rose 7%, to 1.158 billion. Higher revenues, particularly including growth in the Americas, led to higher capacity utilization and improved earnings in the Group s largest division, General Lighting.

Other Operations

Other Operations consist of centrally held equity investments, joint ventures and operating businesses not related to a Group. Other Operations includes the Dematic businesses which were carved out of the former L&A Group and are presented on a retroactive basis, to provide a meaningful comparison with prior periods, as well as a small portion of the VA Tech business, which Siemens acquired in the fourth quarter of fiscal 2005. In the first quarter, Group profit from Other Operations was 33 million, down from 71 million a year earlier due largely to losses in the Dematic businesses. Sales for Other Operations totaled 997 million compared to 744 million a year earlier, as decreases in the Dematic businesses year-over-year, were more than offset by the contributions from the acquired VA Tech business.

Corporate items, pensions and eliminations

Corporate items, pensions and eliminations totaled a negative 329 million in the first quarter, compared to a negative 270 million in the same period a year earlier. The primary difference year-over-year is an increase in centrally carried pension expense, resulting from a reduction in the discount rate assumption at September 30, 2005.

Financing and Real Estate

Siemens Financial Services (SFS)

	First Quarter		
(in millions)	**2006**	**2005**	*% Change*
Income before income taxes	79	99	(20)%
	Dec. 31, 2005	**Sept. 30, 2005**	
Total assets	10,398	10,148	2%

Income before income taxes at SFS was 79 million in the first quarter. For comparison, the prior-year level included a gain on the sale of an investment. Total assets at the end of the current period were 2% higher compared to the end of fiscal 2005 due to expanded leasing activities.

Table of Contents

Siemens Real Estate (SRE)

(in millions)	First Quarter 2006	First Quarter 2005	% Change
Income before income taxes	53	37	43%
Sales	411	383	7%
	Dec. 31, 2005	**Sept. 30, 2005**	
Total assets	3,361	3,496	(4)%

In the first quarter, SRE recorded income before income taxes of 53 million compared to 37 million in the prior-year period. The difference includes positive effects in the current year related to sales of real property.

Eliminations, reclassifications and Corporate Treasury

Income before income taxes from Eliminations, reclassifications and Corporate Treasury was 65 million compared to 104 million a year earlier. The difference was due mainly to reduced interest rate hedging activities not qualifying for hedge accounting, as business growth, particularly involving substantial cash outflows for acquisitions and a build-up of net working capital, resulted in a shift in Siemens net debt position.

Liquidity, capital resources and capital requirements

Cash flow First three months of fiscal 2006 compared to first three months of fiscal 2005

The following discussion presents an analysis of Siemens cash flows for the fiscal quarters ended December 31, 2005 and 2004. The first table below presents net cash flow for continuing and discontinued operations in which net cash flow from discontinued operations is explained in more detail. The second table, which focuses only on continuing operations, then analyzes net cash flow for Siemens components.

	Continuing operations		**Discontinued operations**		**Continuing and discontinued operations**	
			First Quarter			
(in millions)	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Net cash used in:						
Operating activities	(17)	(974)	(160)	(282)	(177)	(1,256)
Investing activities	(803)	(1,032)	(2)	(17)	(805)	(1,049)
Net cash used in operating and investing activities	**(820)**	**(2,006)**	**(162)**	**(299)**	**(982)**	**(2,305)**

On a continuing basis, net cash used in operating and investing activities was 820 million in the first quarter of fiscal 2006, compared to net cash used of 2.006 billion in the prior-year period. In the first quarter of fiscal 2006, discontinued operations used net cash of 162 million relating to the sale of the mobile devices business. Discontinued operations used net cash from operating and investing activities of 299 million in the prior year. In total, including continuing and discontinued operations, net cash used in operating and investing activities was 982 million, compared to net cash used of 2.305 billion in the same period a year earlier.

Continuing operations	Operations		SFS, SRE and Corporate Treasury *		Siemens	
	First Quarter					
(in millions)	2006	2005	2006	2005	2006	2005
Net cash provided by (used in):						
Operating activities	(456)	(1,342)	439	368	(17)	(974)
Investing activities	(474)	(656)	(329)	(376)	(803)	(1,032)
Net cash provided by (used in) operating and investing activities continuing operations	**(930)**	**(1,998)**	**110**	**(8)**	**(820)**	**(2,006)**

* Also includes eliminations and reclassifications.

In the first quarter of fiscal 2006, Operations used net cash from operating activities of 456 million, compared to net cash used of 1.342 billion in the prior-year period. In the current period, net working capital rose significantly in line with overall business growth. This increase was partly offset by a rise in other current liabilities due to higher advance payments, which are also associated with strong order growth, particularly at PG and TS. The prior year included contributions to Siemens pension plans of 1.496 billion. Within Corporate Treasury and the Financing and Real Estate activities, net cash provided by operating activities was 439 million in the first quarter, up from 368 million in the prior year. Siemens used net cash of 17 million from operating activities, compared to net cash used of 974 million in the same period a year earlier.

Operations used net cash from investing activities of 474 million in the current period, compared to 656 million a year earlier. While additions to intangible assets and property, plant and equipment increased in the first quarter of fiscal 2006, compared to the prior year, cash outflows for acquisitions in the current period were lower than in the prior-year period, which included the acquisition of Bonus Energy A/S at PG. Proceeds from sales of marketable securities increased year-over-year, reflecting proceeds from the sale of Juniper shares of 465 million in the current year, compared to 263 million a year ago. Within Corporate Treasury and the Financing and Real Estate activities net cash used in investing activities in the current quarter was 329 million down from 376 million in the prior-year period. Siemens used net cash from investing activities of 803 million. In the same period a year earlier Siemens used net cash of 1.032 billion.

Financing activities used net cash of 340 million in the first quarter of fiscal 2006. Net cash provided of 704 million a year earlier included proceeds from the issuance of short-term debt.

Pension plan funding

At the end of the first three months of fiscal 2006, the combined funding status of Siemens principal pension plans showed an underfunding of 3.1 billion, compared to an underfunding of 3.5 billion at the end of fiscal 2005. The improvement was due to regular contributions, as well as a higher-than-expected actual return on plan assets in the first quarter.

The fair value of plan assets of Siemens principal funded pension plans on December 31, 2005 was 22.2 billion, compared to 21.5 billion on September 30, 2005.

In the first three months of fiscal 2006, regular employer contributions amounted to 362 million compared to 199 million in the prior-year quarter. The first quarter of the prior year included supplemental cash contributions of 1.496 billion.

The estimated projected benefit obligation (PBO) for Siemens principal pension plans, which takes into account future compensation increases, amounted to 25.3 billion on December 31, 2005. This was approximately 300 million higher than the PBO of 25.0 billion on September 30, 2005, due to the net of pension service and interest costs less benefits paid during the quarter plus currency translation effects.

For more information on Siemens pension plans, see Notes to Consolidated Financial Statements.

EVA performance

Siemens ties a portion of its executive incentive compensation to achieving economic value added (EVA) targets. EVA measures the profitability of a business (using Group profit for the Operations Groups and income before income taxes for the Financing and Real Estate businesses as a base) against the additional cost of capital used to run a business (using Net capital employed for the Operations Groups and risk-adjusted equity for the Financing and Real Estate businesses as a base). A positive EVA means that a business has earned more than its cost of capital, whereas a negative EVA means that a business has earned less than its cost of capital. Depending on the EVA development year-over-year, a business is defined as value-creating or value-destroying. Other companies that use EVA may define and calculate EVA differently. EVA in the first quarter of fiscal 2006 was positive but below the level a year earlier.

Legal proceeding

On January 19, 2006, the U.S. Attorney for the Northern District of Illinois charged Siemens Medical Solutions US (SMS) with committing mail and wire fraud in connection with a bid on a public contract for radiological equipment in the year 2000. The charges are based on alleged non-compliance with certain bidding terms and alleged misconduct during a trial related to the fulfillment of such terms. The bidding terms of the public contract were later ruled unconstitutional. SMS, which has cooperated with the government s investigation, considers the allegations as unjustified and intends to oppose them in court.

This Interim Report contains forward-looking statements and information that is, statements related to future, not past, events. These statements may be identified by words as expects, anticipates, intends, plans, believes, seeks, estimates, will or words of similar meaning. Such statements are based on our current expectations and certain assumptions, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens control, affect its operations, performance, business strategy and results and could cause the actual results, performance or achievements of Siemens worldwide to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For us, particular uncertainties arise, among others, from changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products or technologies by other companies, lack of acceptance of new products or services by customers targeted by Siemens worldwide, changes in business strategy and various other factors. More detailed information about certain of these factors is contained in Siemens filings with the SEC, which are available on the Siemens website, www.siemens.com and on the SEC s website, www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Siemens does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

Table of Contents

SIEMENS AG
CONSOLIDATED STATEMENTS OF INCOME (unaudited)
For the three months ended December 31, 2005 and 2004
(in millions of , per share amounts in)

	Siemens		Eliminations, reclassifications and Corporate Treasury		Operations		Financing and Real Estate	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Net sales	20,719	17,030	(408)	(387)	20,569	16,897	558	520
Cost of sales	(15,111)	(11,597)	408	387	(15,072)	(11,573)	(447)	(411)
Gross profit on sales	5,608	5,433			5,497	5,324	111	109
Research and development expenses	(1,289)	(1,126)			(1,289)	(1,126)		
Marketing, selling and general administrative expenses	(3,738)	(3,320)	(1)	(1)	(3,659)	(3,246)	(78)	(73)
Other operating income (expense), net	69	17	(21)	(25)	41	11	49	31
Income from investments in other companies, net	140	144			124	115	16	29
Income (expense) from financial assets and marketable securities, net	340	299	(20)	69	363	231	(3)	(1)
Interest income (expense) of Operations, net	(4)	(14)			(4)	(14)		
Other interest income (expense), net	53	74	107	61	(91)	(28)	37	41
Income from continuing operations before income taxes	1,179	1,507	65	104	982	1,267	132	136
Income taxes[1]	(314)	(390)	(17)	(27)	(262)	(328)	(35)	(35)
Minority interest	(50)	(34)			(50)	(34)		
Income from continuing operations	815	1,083	48	77	670	905	97	101
Income (loss) from discontinued operations, net of income taxes	(2)	(82)			(2)	(83)		1
Net income	813	1,001	48	77	668	822	97	102

Basic earnings per share		
Income from continuing operations	0.92	1.22
Loss from discontinued operations	(0.01)	(0.10)
Net income	0.91	1.12
Diluted earnings per share		
Income from continuing operations	0.87	1.16
Loss from discontinued operations		(0.08)
Net income	0.87	1.08

(1) The income taxes of **Eliminations, reclassifications and Corporate Treasury**, **Operations**, and **Financing and Real Estate** are based on the consolidated effective corporate tax rate applied to income before income taxes.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

SIEMENS AG

CONSOLIDATED BALANCE SHEETS (unaudited)
As of December 31, 2005 and September 30, 2005
(in millions of)

	Siemens		Eliminations, reclassifications and Corporate Treasury		Operations		Financing and Real Estate	
	12/31/05	9/30/05	12/31/05	9/30/05	12/31/05	9/30/05	12/31/05	9/30/05
ASSETS								
Current assets								
Cash and cash equivalents	6,824	8,121	5,505	6,603	1,263	1,471	56	47
Marketable securities	1,306	1,789			1,288	1,772	18	17
Accounts receivable, net	18,066	17,122	3	(6)	13,963	12,758	4,100	4,370
Intracompany receivables			(14,365)	(15,489)	14,339	15,362	26	127
Inventories, net	13,730	12,812	(7)	(4)	13,635	12,744	102	72
Deferred income taxes	1,503	1,484	(184)	(178)	1,606	1,580	81	82
Assets held for sale	382	245			382	245		
Other current assets	5,426	5,230	436	506	3,851	3,746	1,139	978
Total current assets	47,237	46,803	(8,612)	(8,568)	50,327	49,678	5,522	5,693
Long-term investments	3,935	3,768			3,583	3,463	352	305
Goodwill	9,260	8,930			9,133	8,799	127	131
Other intangible assets, net	3,088	3,107			3,071	3,092	17	15
Property, plant and equipment, net	12,167	12,012			8,439	8,217	3,728	3,795
Deferred income taxes	6,365	6,321	1,558	1,541	4,772	4,743	35	37
Other assets	5,487	5,264	131	106	1,889	1,836	3,467	3,322
Other intracompany receivables			(1,648)	(1,632)	1,641	1,626	7	6
Total assets	87,539	86,205	(8,571)	(8,553)	82,855	81,454	13,255	13,304
LIABILITIES AND SHAREHOLDERS EQUITY								
Current liabilities								
Short-term debt and current maturities of long-term debt	4,277	3,999	3,250	3,049	730	564	297	386
Accounts payable	9,840	10,171	(4)	(1)	9,624	9,965	220	207
Intracompany liabilities			(15,576)	(15,998)	9,315	9,134	6,261	6,864
Accrued liabilities	10,179	10,169	117	115	9,935	9,898	127	156

Deferred income taxes	1,835	1,938	(483)	(475)	2,091	2,203	227	210
Liabilities held for sale	369	289			369	289		
Other current liabilities	14,312	13,058	308	222	13,698	12,559	306	277
Total current liabilities	40,812	39,624	(12,388)	(13,088)	45,762	44,612	7,438	8,100
Long-term debt	7,866	8,436	6,715	6,937	760	978	391	521
Pension plans and similar commitments	5,235	4,917			5,233	4,917	2	
Deferred income taxes	423	427	9	(26)	242	274	172	179
Other accruals and provisions	4,814	5,028	91	91	4,218	4,519	505	418
Other intracompany liabilities			(2,998)	(2,467)	302	284	2,696	2,183
	59,150	58,432	(8,571)	(8,553)	56,517	55,584	11,204	11,401
Minority interests	688	656			688	656		
Shareholders equity								
Common stock, no par value								
Authorized: 1,113,295,461 and 1,113,295,461 shares, respectively								
Issued: 891,085,461 and 891,085,461 shares, respectively	2,673	2,673						
Additional paid-in capital	5,166	5,167						
Retained earnings	27,396	26,583						
Accumulated other comprehensive income (loss)	(7,459)	(7,305)						
Treasury stock, at cost 1,104,755 and 9,004 shares, respectively	(75)	(1)						
Total shareholders equity	27,701	27,117			25,650	25,214	2,051	1,903
Total liabilities and shareholders equity	87,539	86,205	(8,571)	(8,553)	82,855	81,454	13,255	13,304

The accompanying notes are an integral part of these consolidated financial statements.

13

Table of Contents

SIEMENS AG
CONSOLIDATED STATEMENTS OF CASH FLOW (unaudited)
For the three months ended December 31, 2005 and 2004
(in millions of)

	Siemens		Eliminations, reclassifications and Corporate Treasury		Operations		Financing and Real Estate	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Cash flows from operating activities								
Net income	813	1,001	48	77	668	822	97	102
Adjustments to reconcile net income to cash provided								
Minority interest	54	38			54	38		
Amortization, depreciation and impairments	701	667			603	577	98	90
Deferred taxes	49	77	3	8	40	60	6	9
Losses (gains) on sales and disposals of businesses and real estate, net	(54)	(4)			(23)	2	(31)	(6)
(Gains) on sales of investments, net	(26)	(8)			(26)	(8)		
(Gains) on sales and impairments of marketable securities, net	(351)	(228)			(351)	(228)		
(Income) from equity investees, net of dividends received	(95)	(110)			(80)	(99)	(15)	(11)
Change in current assets and liabilities								
(Increase) decrease in inventories, net	(813)	(672)	3		(787)	(683)	(29)	11
(Increase) decrease in accounts receivable, net	(802)	135	309	32	(1,121)	83	10	20
Increase (decrease) in outstanding balance of receivables sold	(85)	(67)	(35)	(57)	(50)	(10)		
(Increase) decrease in other current assets	(241)	(348)	(66)	246	(149)	(485)	(26)	(109)
Increase (decrease) in accounts payable	(438)	(435)	(4)	(6)	(447)	(391)	13	(38)
Increase (decrease) in accrued liabilities	(43)	75	3	(13)	(39)	145	(7)	(57)
	1,013	261	61	(20)	925	209	27	72

Increase (decrease) in other current liabilities								
Supplemental contributions to pension trusts		(1,496)				(1,496)		
Change in other assets and liabilities	141	(142)	(3)	47	167	(161)	(23)	(28)
Net cash provided by (used in) operating activities continuing and discontinued operations	(177)	(1,256)	319	314	(616)	(1,625)	120	55
Net cash provided by (used in) operating activities continuing operations	**(17)**	**(974)**	**319**	**314**	**(456)**	**(1,342)**	**120**	**54**
Cash flows from investing activities								