SIEMENS

Annual Report **1999**

Count on us...

Financial highlights (in millions of DM)

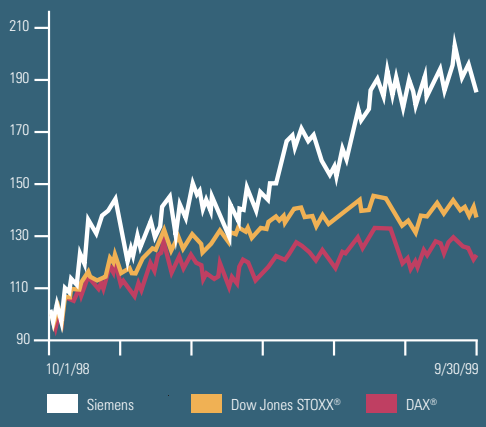
	1999	1998	1997
New orders	136,002	119,601	113,120
Net sales	134,134	117,696	106,930
Income after taxes before extraordinary items	3,648	2,658	2,608
Net income after extraordinary items	3,648	917	2,608
Net cash provided	11,174	3,907	4,073
Net cash used in investing activities	(9,051)	(5,735)	(7,211)
Research and development expenses	10,240	9,122	8,132
Shareholders' equity (September 30)	33,640	30,292	28,407
Employees (in thousands)	443	416	386

Stock market information (in €, unless otherwise indicated)

	1999	1998	1997
Stock price range[1] (October 1 – September 30)			
High	86.30	70.87	66.47
Low	40.39	46.17	36.20
Year-end (September 30)	77.40	47.19	61.02
Number of shares (in millions)	595	595	571
Market capitalization (in millions of €) (September 30)	46,037	28,068	34,852
Per-share data			
DVFA/SG[2] earnings per share (new)	2.63	1.38	
DVFA/SG[2] earnings per share (old)	3.17	2.24	2.38
Dividend	1.00[3]	0.77	0.77

[1] XETRA or IBIS closing prices, Frankfurt
[2] German Society of Investment Analysts and Asset Managers
[3] To be proposed at the Annual Shareholders' Meeting

Stock price development (indexed)



CORPORATE STR

Managing Board

Heinrich v. Pierer, Dr. jur. Dr.-Ing. E. h.
President and Chief Executive Officer
Planning and Development
Special responsibilities: UK, WPA

Volker Jung, Dr. Eng. h. c.
Special responsibilities: ICN, ICP, SBS, Infineon Africa, Middle East, C.I.S.

Edward G. Krubasik, Dr. rer. nat.
Special responsibilities: A&D, ATD, PL, SBT, VT, AT, Technology

Heinz-Joachim Neubürger
Finance
Special responsibilities: SFS, SIM

Peter Pribilla, Prof.
Human Resources
Special responsibilities: IK, MCP the Americas

Operations

Energy

Power Generation (KWU)
Klaus Voges
Andreas Kley
Norbert König
Randy H. Zwirn

Power Transmission and Distribution (EV)
Uriel J. Sharef, Dr. rer. pol.
Hans-Jürgen Schloß, Dr.-Ing.

Industry

Automation and Drives (A&D)
Klaus Wucherer, Dr.-Ing.
Johannes Feldmayer
Anton Huber
Hans M. Strehle

Industrial Projects and Technical Services (ATD)
Konrad Pernstich
John Schubert
Udo N. Wagner, Dr. rer. oec.

Production and Logistics Systems (PL)
Manfred v. Raven
Alfred Frank

Siemens Building Technologies AG (SBT)
Oskar K. Ronner
Rolf Renz

Transportation

Transportation Systems (VT)
Herbert H. Steffen
Hans-Dieter Bott
Thomas Ganswindt
Hans M. Schabert

Automotive Systems (AT)
Franz Wressnigg, Dr.-Ing.
Jürgen Mache

Information and Communications

Information and Communication Networks (ICN)
Roland Koch
Hans-Walter Bernsau
Anthony Maher
Werner Schmücking
Jost A. Spielvogel

Information and Communication Products (ICP)
Rudi Lamprecht
Helmuth von Deimling
Hans-Joachim Kohlsdorf

Siemens Business Services GmbH & Co. OHG (SBS)
Friedrich Fröschl, Dr. rer. nat.
Michael Kutschenreuter

Regional organization
Regional Offices, Regional Companies, Representative Offices, agencies

UCTURE

Jürgen Radomski
Special responsibilities: Med, Osram, EL Europe

Günter Wilhelm, Dr.-Ing. E. h.
Special responsibilities: KWU, EV Asia, Australia

Roland Koch ICN

Claus Weyrich, Prof. Dr. phil.
Technology

Klaus Wucherer, Dr.-Ing. A&D
(from 8/1/99)

until 3/31/99:
Ulrich Schumacher, Dr.-Ing.
Semiconductors (from 4/1/99 Infineon)

until 9/30/99:
Adolf Hüttl KWU

Health Care

Medical Engineering (Med)
Erich R. Reinhardt, Prof. Dr.-Ing.
Robert Kugler, Dr. techn.
Götz Steinhardt

Lighting

Osram GmbH
Wolf-Dieter Bopst, Dr. oec. publ.
Jörg Schaefer, Dr.-Ing.
Thomas Seeberg, Dr. rer. pol.

Components

Infineon Technologies AG
(from 4/1/99)
Ulrich Schumacher, Dr.-Ing.
Peter Bauer
Peter Fischl
Sönke Mehrgardt, Dr. rer. nat.
Andreas v. Zitzewitz, Dr.-Ing.

EPCOS AG*
(publicly listed since 10/15/99, 12.5 % Siemens-owned)
Klaus Ziegler
Bodo Lüttge, Dr. oec. publ.
Gerhard Pegam
Kunihisa Tachiiri

Siemens Electromechanical Components GmbH & Co. KG*
(to be sold to Tyco International effective 10/1/99)
Volkhart P. Matthäus
Helmut Brauneis

* no longer consolidated

Financing and Real Estate

Siemens Financial Services (SFS)
Herbert Lohneiß, Dr. rer. nat.

Siemens Real Estate Management (SIM)
Peter Niehaus, Prof.
Dieter Briese
Jochen Scharpe, Dr. rer. pol.

Corporate Departments

Finance (ZF)
Heinz-Joachim Neubürger
Charles Herlinger
Herbert Lohneiß, Dr. rer. nat.
Karl Heinz Midunsky
Albrecht Schäfer, Dr. jur.

Human Resources (ZP)
Peter Pribilla, Prof.
Günther G. Goth

Technology (ZT)
Claus Weyrich, Prof. Dr. phil.
Horst Fischer, Dr. rer. nat.

Planning and Development (ZU)
Heinrich v. Pierer, Dr. jur. Dr.-Ing. E. h.
Reinhart Bubendorfer
Hansjörg Franzius, Dr.-Ing.
Michael Mirow, Prof. Dr. rer. pol.

Corporate Offices

Procurement and Logistics (EL)
Erich Hautz, Dr. rer. comm.

Information and Communication Structures (IK)
Chittur Ramakrishnan

Management Consulting Personnel (MCP)
Karl-Heinz Sämann, Dr.-Ing.

Corporate Communications (UK)
Eberhard Posner, Dr. rer. oec.

Economics and Corporate Relations (WPA)
Bernd Stecher, Dr. sc. pol.

as of January 1, 2000

We do what we say.

Sustainable growth in profitability is the goal of the Ten-Point Program we announced in the summer of 1998. This goal governs all our strategies, operations and activities. It orients all our acquisitions, partnerships and divestments toward putting our businesses at the top. And it rigorously focuses all our planning, management and controlling on further increasing the value of the Company. Ultimately, these efforts will culminate with the listing of Siemens in New York.

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LETTER TO OUR SHARE

Dear Shareholders,

In fiscal 1999, your Company made remarkable progress toward ensuring sustainable growth in profitability, boosting sales 14% and achieving a 37% gain in earnings. We are now moving forward with confidence to the challenges that still lie ahead of us.

Nothing succeeds like success, and we are pleased that you have entrusted your investment to us. We can see how high your expectations are just by looking every day at the price of Siemens shares, which climbed over 90% in the fiscal year from October 1, 1998 to September 30, 1999. In comparison, the DAX index of major German companies rose 25% during the same period. We are well aware that our performance was sometimes disappointing in past years, and this makes us redouble our efforts to earn your trust. In view of last year's positive results and our firm conviction that we can do even better, we intend to propose an increased dividend of €1 at the Annual Shareholders' Meeting next February.

"We have the will to change and the courage to act"

What lies behind the success of last year? We put in place a timetable that allows for "no ifs, ands, or buts:" our Ten-Point Program. It contains specific measures in three areas: reorienting our business portfolio, applying a set of binding management tools, and preparing to list Siemens in New York. With this program, we are now reaping the fruits of previous years' efforts.

Since the beginning of fiscal 1998, a critical measure of our progress toward sustainable growth and profitability has been Economic Value Added, or EVA. This simply means that each business unit must earn a profit greater than its cost of capital. In this era of deregulation and globalization, the only way our businesses can earn a consistently positive EVA is to hold top positions in world markets. If we are not achieving this goal with a business, we have four clear options. We can strengthen the business in two ways, either through strategic acquisitions or by forging partnerships with other companies. Alternatively, we can spin off a business that may find a better fit with another company. The fourth and final choice is simply to shut the doors. In other words: "Buy, cooperate, sell, or close."

We are satisfied with the changes in our business portfolio that we have accomplished so far. The acquisitions of the Westinghouse fossil fuel power plant and service business and the Elektrowatt building technologies business have proven themselves. In both these markets, we now hold a leading position. We have strengthened our know-how in Internet technologies with new acquisitions in the U.S. broadband communications market. Joint ventures with Fujitsu in computer hardware and with Voith in hydroelectric power generation ensure the long-term viability of our business activities in these industries. The public listing of EPCOS AG, in which we

HOLDERS

spun off the core activities of our Passive Components and Electron Tubes Group, was very successful. We also reached agreements to sell our Electromechanical Components business as well as Siemens Nixdorf Retail and Banking Systems, which will operate under the name Wincor Nixdorf.

We look forward to the public listing of our semiconductor business, now called Infineon Technologies AG, in the spring of 2000. We will initially retain a majority holding in the new company.

The second major thrust of our Ten-Point Program, an extensive reorientation of our five-year-old *top* program entitled *top+*, entails the consistent yet flexible application of management tools in keeping with our focus on EVA. Mandatory for each business, they include comprehensive, Company-wide benchmarking, asset management and quality improvement, as well as measures to boost productivity and ensure profitable growth. These tools are complemented by the systematic sharing of best practices: each Siemens business learns from the others. We are also continuing to reshape our corporate culture, particularly in the areas of management and cooperation.

This enterprise-wide commitment is one of the chief reasons that our success in fiscal 1999 extended to virtually every corner of the Company. Particularly striking is the case of Medical Engineering, which was making a loss just two years ago but has now advanced to become one of our top five earnings performers. In contrast, special efforts are still needed to return Transportation Systems and Power Generation (KWU) to profitability.

The third broad challenge posed by our Ten-Point Program is listing Siemens in New York in fiscal 2001. We have been preparing our people, systems and processes for this move for several years now, and are right on our schedule to achieve the scope and transparency in our financial reporting that is required under generally accepted accounting principles (GAAP) in the U.S.

What lies ahead? Above all, we will continue to rigorously implement our Ten-Point Program until we have completed the listing of our Company in New York. Nine of our operating Groups achieved a positive EVA in fiscal 1999, and our goal is to achieve the same result for Siemens as a whole in fiscal 2001 at the latest.

Our employees and management are profiting from our success. Up to 60% of their compensation is now variable, tied to our performance as a company and their contributions as individuals. As a result, everyone at the Company feels both the positive – and the negative – consequences of their efforts much more directly than in the past.

With gratitude I note that our people are demonstrating tremendous loyalty and commitment as they work toward accomplishing the necessary structural changes at Siemens. I'm sure there are times when some wish I would announce that the Ten-Point Program, with its divestments, spin-offs and joint ventures, has finally been completed and the Company can sit back and relax. But that time will never come. Siemens is a living organism, and optimization of our business portfolio is a never-ending task.

What are our next steps? The gains from our recent divestments will be used selectively to strengthen businesses in critical areas such as our Information and Communications and Industry segments. Mobile communications, Internet-oriented products, and process automation are examples of fields where we must get stronger.

We are also planning to expand our services business, a sector which has comparatively low capital requirements but shows great growth potential and helps generate jobs. Stand-alone and product-related services now comprise roughly a quarter of Siemens' total sales; we believe we can boost this proportion to approximately 50% over the next few years.

Business at Siemens is increasingly being shaped by the Internet. We are using electronic commerce to systematically integrate customers and suppliers into our operations. The Internet is also playing a growing role in our other value chains. By networking a large share of our business processes through the Internet, we are gaining further benefits of cost, quality and time.

The Internet and our worldwide corporate intranet also help ensure effective management of Company knowledge by intensifying and streamlining communication across all operations and borders. As a result, we learn faster and can better focus our innovative strength on developing new products and services.

The character of your Company changes and becomes more multifaceted with each acquisition and joint venture. Gone are the days when Siemens was an inscrutable behemoth. Your Company is evolving into a highly flexible, transparent and profitable community of growth-oriented businesses capable of making their mark on the electrical engineering and electronics industry.

As we clearly demonstrated this past year, we have the will to change and the courage to act.

Heinrich v. Pierer
President and Chief Executive Officer
Siemens AG

BUSINESS SEGMENTS

Putting our businesses at the top

ENERGY

A ceramic coating improves the durability and efficiency of gas turbine blades.

POWER GENERATION (KWU)

We provide optimal solutions for boosting the competitiveness and profitability of our customers' power plants in an increasingly tough business arena.

We develop, engineer and build fossil-fueled, hydroelectric, nuclear and renewable-energy power plants, manufacturing key components like turbines and generators at our production facilities throughout the world. As a partner to our customers during all project phases, we handle everything from planning and engineering, project development and financing, and the delivery of all components to the turnkey construction and operation of facilities. We are currently expanding our spectrum of service activities in key national markets.

"We cut electricity costs with our environmentally friendly power plants"

Our acquisition of Westinghouse's fossil fuel power plant operations has made us a premier address in the field. The move has generated decisive synergies in procurement, production, sales and services, enabling us to better tailor solutions to customer needs and to offer an even greater range of consulting services and support. It has also positioned us as a key player in the U.S. energy market, which has been booming since 1998.

Sales of our state-of-the-art instrumentation and control systems for all types of power plants continue to climb, spurred by major new orders from the oil refining industry. We have merged our hydroelectric power plant business in a joint venture with Voith, making us a world market leader in this area. As the global nuclear power industry recasts itself, we are fortifying our position in the service and nuclear fuel sectors.

For more information about our products, systems and services, please visit our Web site at:

http://www.siemens.de/kwu

Superconducting current limiters function as resettable fuses in the event of a short circuit, promising major cost advantages.

POWER TRANSMISSION AND DISTRIBUTION (EV)

We offer power producers around the world intelligent solutions for transporting and distributing electricity from source to customer.

We market products, integrated systems and services worldwide. Our broad spectrum of offerings encompasses all aspects of transmitting and distributing electrical power. We make energy transport both economical and safe with products ranging from transformer substations to electricity meters. As a systems house, we not only specialize in complete turnkey projects, but handle all aspects of the related financial engineering as well. Increasingly, we also provide customized information and communications technology to power producers.

We are the world's premium provider of protective devices for switchgear and power transmission systems. As industry leader in the metering business, we offer integrated solutions for metering, evaluating and billing electricity, gas, heat and water consumption. Our innovations range from software solutions for optimizing processes and new designs for power electronics to superconductor applications for transformers. The gas-insulated high-voltage line (GIL) is our pioneering innovation in power transmission. Our SICAM™HV system optimizes the operation of high-voltage switchgear. We offer an online monitoring system for early detection and identification of faults in power transformers, and our SICAM RTU integrates telemetric and automation technologies into one system.

"We make energy transport economical and safe"

The NX series sets a new industry standard in medium-voltage switchgear, with an innovative design that eases planning, procurement and operation. Keeping pace with deregulation in the energy market, we tailor solutions to meet our customers' changing needs. We are a highly innovative, full-service partner handling everything from integrated IT solutions for optimizing processes to outsourced customer operations.

For more information about our products, systems and services, please visit our Web site at:

http://www.ev.siemens.de/

INDUSTRY

Business-to-business e-commerce: A&D products can be ordered around the clock 365 days a year.

AUTOMATION AND DRIVES (A&D)

We provide customers in the manufacturing and process industries with totally integrated solutions for automation, drives, switching and installation systems – all from a single source.

Our solutions meet every industry need – from project engineering to commissioning and from protection and drives to integrated process controlling.

As a technology pacesetter, we give our customers a decisive competitive edge in engineering, quality and cost.

"We help our customers optimize production and cut costs"

Our platform-based solutions feature integrated concepts for automating production processes, from receipt of materials through manufacturing – whether one-off production or flow process – right up to shipping. Our Totally Integrated Automation (TIA) platform, a networked system with fully integrated drives technology, is the backbone for sophisticated solutions used in project engineering, programming, data-flow control and communication. These solutions help customers slash costs, both up-front and over the lifetime of the system. We provide standardized communication buses such as Industrial Ethernet, Profibus, AS Interface and Instabus EIB (European Installation Bus) to network intelligence at the field, process control and regulating levels.

Our Safety Integrated program is based on a comprehensive safety concept approved worldwide for the manufacturing and process industries. Programmable electronic components allow direct access to electric drives, switchgear and measuring systems.

Drawing on our strength as a software and systems house, we provide integrated IT interfaces extending up to the plant management level.

By driving innovation, we intend to further improve our leading position. We expect to show especially strong growth in the U.S. and Asia-Pacific.

For more information about our products, systems and services, please visit our Web site at:

http://www.siemens.de/ad/

We harness state-of-the-art information technology to optimize processes in steel production.

INDUSTRIAL PROJECTS AND TECHNICAL SERVICES (ATD)

Drawing on our state-of-the-art electrical engineering, automation and information technologies, we offer innovative solutions and services to optimize processes in industry and infrastructure installations, such as airports and traffic control systems.

We provide a full array of technical services, including planning, engineering, constructing, commissioning and maintaining plants, as well as handling auxiliary systems needed in manufacturing, such as power supply. Our major strength lies in our ability to fully integrate innovative solutions and technical services throughout a plant's life cycle. This unmatched combination helps our customers improve their competitive position and secure their profitability.

We cover all project needs, including general contracting, for a wide range of industries and infrastructure systems: metals and mining, pulp and paper, oil and gas, petrochemicals, shipbuilding, airport installations, and traffic control and guidance systems. Among our services in this sector are plant construction, commissioning, repairs and maintenance, as well as tailored IT solutions for upgrading industrial processes. The improved performance offered by open information systems and the full integration of control and management levels open up new perspectives for industry and infrastructure operators alike. We harness advanced IT solutions to optimize processes in both new and existing installations, allowing our customers to cut costs substantially while boosting productivity.

"We help companies boost the productivity of their plants"

In the projects business, we are focusing efforts on industries in which we possess outstanding technological know-how and hold a leading market position.

For more information about our projects, systems, products and technical services, please visit our Web site at:

http://www.atd.siemens.de

INDUSTRY

The Novasort monorail system automatically transports and sorts letters in a single process.

PRODUCTION AND LOGISTICS SYSTEMS (PL)

From surface mount technology (SMT) and material flow systems to letter and parcel sorting systems, we offer world-class solutions in the field of production and logistics automation.

As a systems house, we provide a complete range of highly innovative automation solutions for production and logistics, such as an automated compact warehouse system which enables customers to optimally integrate the entire material flow into their value chains.

"We integrate the material flow into the value chain"

Another innovation is our Tray Management System (TMS), which we installed at various locations for the United States Postal Service: TMS is a flexible, fully automated conveyor system that ensures a seamless flow of letters and parcels through distribution centers. We have constructed the world's largest system of this type, capable of sorting ten million pieces of mail a day.

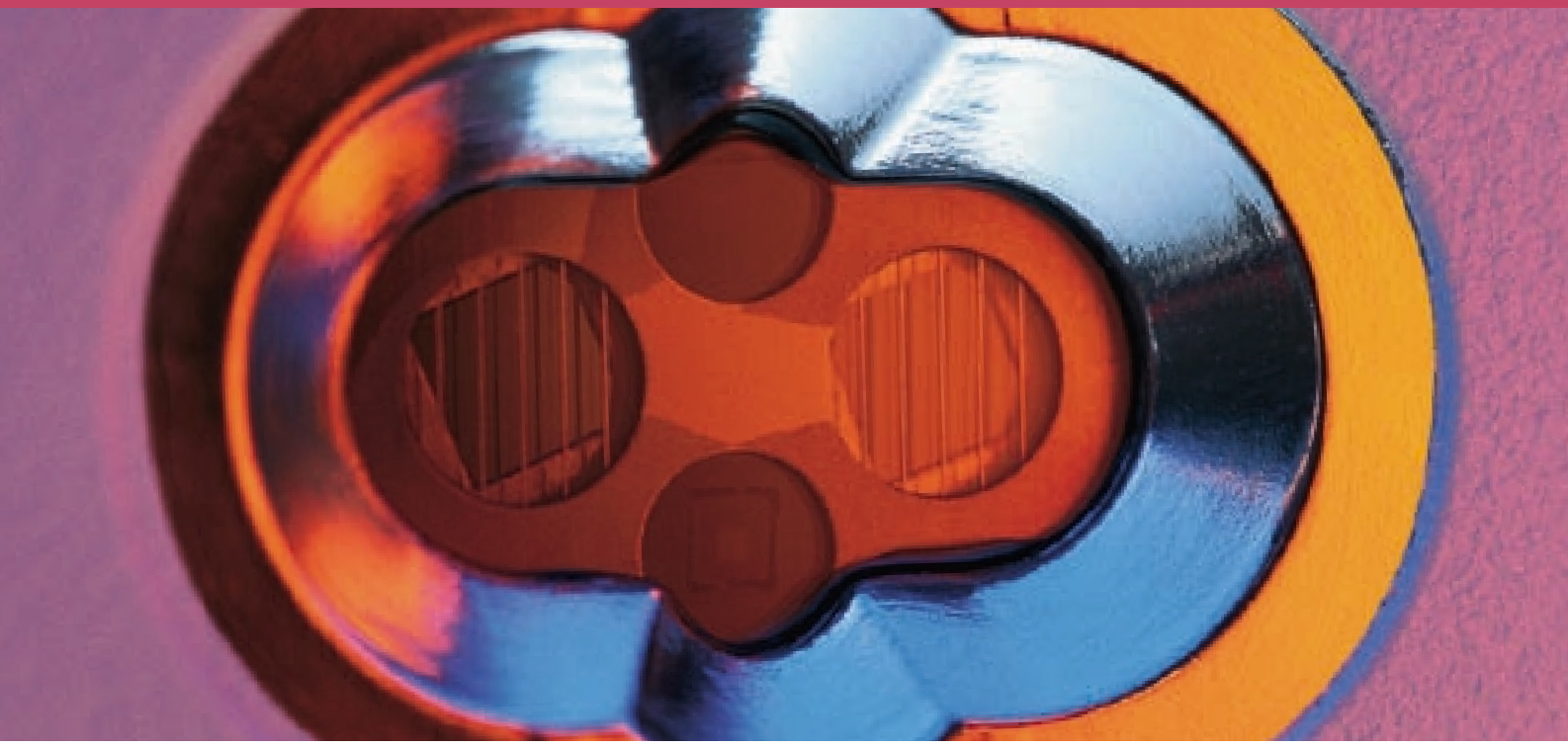
Our solutions for automating complete electronic manufacturing processes also offer customers major cost advantages: our SMT placement systems for printed circuit boards, for example, more than double production rates. The newest of the SMT family, the Siplace HS 50, features sophisticated new software that enables it to mount up to 50,000 components an hour.

We are experts at using state-of-the-art IT solutions to create intelligent interfaces between mechanical and electronic systems. These interfaces ensure a seamless, simultaneous data flow to and from products to be conveyed or processed.

In a move to bring our innovative new products to market even faster, we have launched a customer-focused innovation initiative. Only by working more closely with our customers can we develop and implement new ideas and new projects that satisfy market demand.

For more information about our products, projects, systems and services, please visit our Web site at:

http://www.pl.siemens.de



Thanks to its fuzzy wavelet technology, the WaveRex flame detector is absolutely reliable, even when exposed to illusory light effects.

SIEMENS BUILDING TECHNOLOGIES (SBT)

Our comprehensive concepts, efficient systems, innovative products and customized services provide outstanding customer benefit by increasing the levels of convenience, security and eco-efficiency in all types of buildings.

We work hand-in-hand with customers worldwide to develop solutions that enhance building productivity and security. Our customers include small local installation businesses, wholesalers, OEM partners, systems houses, general contractors and large operating companies.

"We increase building productivity"

Since a building's operating costs often far exceed its initial investment costs within only a few years, our products and services are tailored to a facility's entire life cycle – everything from project engineering and operation to renovations.

The flexible and interchangeable system modules in our Siport and Cevis product lines give businesses of every size unlimited application possibilities for personal identification and video monitoring applications. The DP/EIB module, developed together with the Automation and Drives Group, links the Profibus DP with the European Installation Bus (EIB), allowing building automation solutions to be completely integrated into industrial plants.

The MiniCombiVentil radiator valve puts an end to temperature fluctuations, automatically compensates for changes in pressure and eliminates the need for hydraulic equalization in radiator systems.

We are working to achieve further productivity gains. Together with other Siemens units, we are participating in an Account Management Program to help increase our overall business volume. We are also strengthening our market presence in the Asia-Pacific region and South America. Our strategic goals for the coming years include expanding our offering of OEM products and components, as well as continuing to build up our performance contracting activities in Europe.

For more information about our products, systems and services, please visit our Web site at:

http://www.sibt.com

INFORMATION AND

Optical multiplexers boost the capacity of existing fiber-optic lines, helping protect investments and upgrade networks for the future.

INFORMATION AND COMMUNICATION NETWORKS (ICN)

Our business focuses on providing solutions for carrier and enterprise networks of every size and configuration, whether wired or mobile, voice or data.

We specialize in developing customized end-to-end solutions in the converging worlds of voice, data and mobile communications for customers in industry, business and the public sector. We are experts in investment protection – incorporating new solutions into existing systems to slash the costs of network modernization.

"We are paving the way for next-generation networks and solutions"

We optimize the flow of information with products like Hicom Xpress Workflow and HiNet RC 3000, which integrate voice and data into one homogeneous system. In the sector of digital switching and communications systems, our EWSD and Hicom products are among the market leaders. We are also a world-leading provider and installer of GSM mobile networks.

With the founding of Unisphere Solutions, Inc. in the U.S., we have established a center of competence for state-of-the-art Internet and data networking technologies. This move will enable us to increase our share in the booming Internet market.

Our innovations include the EWSD Message Buffer, a control unit for regulating telephone connections; compared with the previous model, this new module handles ten times the call volume in a unit only one-eighth the size. Our innovations in photonics technology have led to another industry first: the simultaneous transmission of 80 data streams – a volume of data equivalent to around 50 million telephone calls – on a single fiber-optic line.

Our strategic goals are to develop voice and data networks on the basis of the Internet Protocol; to design third-generation mobile networks with voice-data applications; and to offer individualized integrated systems and solutions to help customers optimize business processes and exploit new business opportunities.

For more information about our products, services and solutions, please visit our Web site at:

http://www.siemens.de/ic/networks

COMMUNICATIONS

IC35 – The Unifier – is an organizer with an integrated WAP browser. Linked with a cell phone, it becomes a complete mobile office.

INFORMATION AND COMMUNICATION PRODUCTS (ICP)

We offer our customers a complete portfolio of wired and cordless phones, mobile phones, ISDN cards, mobile organizers, notebooks, personal computers and servers.

Our range of mobile phones, based on the GSM standard, includes everything from low-end to premium models. The tiny, modestly priced C25 model is well on its way to becoming the best-selling mobile phone in Germany. The more sophisticated but equally compact S25 model features an infrared interface to meet the needs of business customers.

"We help the world communicate"

The latest-generation PCs and notebooks in our SCENIC family are powerful and popular tools for both professional and recreational applications. Highly complex functions such as computer-aided design, simulation and animation are the strength of our SCENIC Celsius workstations. We also offer a wide selection of servers, including both workgroup systems to support project teams and departments, and high-end systems used in computer centers. Our strength in this sector is our ability to integrate computer systems in different performance categories into heterogeneous, networked environments. Reflecting our strategy of focusing on core businesses, we signed an agreement to sell Siemens Nixdorf Retail and Banking Systems GmbH – which handles point-of-sale and self-service systems – effective October 1, 1999. Our new joint venture with Fujitsu Ltd. is aimed at capturing the top position in Europe's computer market. Our Communication Devices Division is the world's leading provider of digital telephones. We aim to nearly double our production of mobile phones to 20 million a year and garner at least a 10% share of the world market. Our IT Service Division ranks number 1 in Germany and number 2 in Europe as a provider of managed services. With these successes, we are now ideally positioned in the strategic information and communications growth fields.

For more information about our products and services, please visit our Web site at:

http://www.siemens.de/ic/en

The portal page of NetBank, Siemens Business Services' first e-commerce system.

SIEMENS BUSINESS SERVICES GMBH & CO. OHG (SBS)

When it comes to innovative solutions in the field of information and communications, we are a leading single-source provider of services ranging from consulting and systems integration to handling entire outsourced business processes.

As part of the Information and Communications segment, we have evolved into an electronic business specialist with activities in more than fifty countries. In line with our strategy of design-build-operate, we focus on five areas: e-commerce, supply chain management, customer relationship management, business information management, and enterprise resource management. We provide consulting services to help develop digital business models, design business systems, and take over complete business processes for our customers. In the past year, we landed two of the world's ten largest outsourcing projects, each with a contract volume exceeding US$1 billion.

In the area of e-commerce, we offer solutions like NetBank – an online system featuring personalized services, messages and e-shopping – to simplify electronic purchasing and sales. Our solutions in the area of supply chain management optimize entire logistics chains to accelerate ordering and delivery processes. We are currently installing state-of-the-art systems for customers like Dole in the Philippines and Asian Paints in India. In the area of customer relations management, we operate call centers and provide sales control systems to help businesses strengthen their customer loyalty. Our business information management unit works with customers to develop their know-how and optimize its accessibility. Osram's production information system is one example of our successes in this area. With over 2,400 R/3 consultants, we are one of the market's most experienced partners for implementing enterprise resource management systems like SAP R/3.

"We are the partner for electronic business solutions and services"

For more information about our services, please visit our Web site at:

http://www.sbs.de

HEALTH CARE

A new, uniform user interface for our imaging systems has set new standards for intuitiveness, flexibility and efficiency.

MEDICAL ENGINEERING (Med)

We provide complete health-care solutions based on our expert knowledge of the problems and processes encountered at doctors' offices, hospitals and university clinics.

Focusing on imaging systems, electromedicine and audiological devices, we are one of the world's largest and most diversified providers of complete health-care solutions. Our Siemens Health Services (SHS) subsidiary pools our IT-related activities, which include clinical information and management systems (Electronic Patient Records), picture archiving and communication systems (PACS), and hospital administration systems.

"We optimize individualized patient care"

We have completely renewed our product range thanks to our many innovations and our rigorous exploitation of new business opportunities.

Our Somatom Plus 4 Volume Zoom is currently the fastest spiral computed tomograph on the market. The Sonoline Sienna ultrasound platform integrates high-end features into a compact system. The new Thorax FD chest radiography unit, with an integrated, large flat panel detector, marks the first use of digitization in classic radiography: its three-dimensional imaging in different modalities opens up new and even more precise diagnostics possibilities. Every fifth hearing instrument sold in the world today is a Siemens product. Our fully digitized Prisma family of "hearing computers" marks a major breakthrough in the treatment of severe hearing impairments.

Our goal is to become the world's most successful solutions provider in the health-care sector by offering innovative products and solutions for integrated health-care applications as well as a comprehensive range of maintenance, financing and other services.

Some of the products offered by Medical Engineering may not be commercially available in the U.S., and their future availability cannot be ensured.

For more information about our products, systems and services, please visit our Web site at:

http://www.siemens.de/med

TRANSPORTATION

Bangkok's new metro: Siemens provided everything from the signaling and safety systems to project management and maintenance.

TRANSPORTATION SYSTEMS (VT)

We offer a complete portfolio of products and solutions – including rolling stock, infrastructure installations and services – that can be readily integrated into complete systems.

As our customers increasingly focus on their core competencies, we step in to provide the technical and organizational interfaces they need. Our systems expertise – coupled with our comprehensive know-how in project and financing management – gives us a major competitive edge in the market.

After the unsatisfactory results of the past few years, a turnaround is now in sight. Substantial productivity gains and improving earnings in each of our business sectors will soon have us back in the black. Our enormous pool of technical know-how and broad range of competencies are virtually unmatched among our competitors. We have also built up strong positions in key growth areas like the rail transport market in Southeast Asia. Our reference projects in this region include the metro systems in Guangzhou, China, and Bangkok, Thailand. The Bangkok project showcases our strength in systems: we provided engineering, project and financing management, rolling stock, signal and safety systems, electrification, rail power supplies, servicing and maintenance – all from a single source.

"We integrate transportation components and technologies to provide complete systems"

We intend to further strengthen our competencies as a project manager and supplier of technologies for network and individual product solutions. We are optimizing the architecture of our turnkey systems and rigorously implementing further modularization and standardization measures in our rolling-stock and components sectors. We are also continuing to build up our key competencies like project and financing management.

For more information about our projects and services, please visit our Web site at:

http://www.siemens.de/vt

Whether infotainment, a complete car office or a dynamic navigation system – we are bringing the world of multimedia to cars.

AUTOMOTIVE SYSTEMS (AT)

With some eighty locations throughout the world, we offer customers in the automotive industry individualized product and systems solutions with a growing share of engineering value added.

Our innovations play a major role in the industry's drive to reduce fuel consumption and engine emissions and increase safety. We specialize in electronics, electrical systems, and combined mechanical and electronic components, as well as a growing array of customized modules and systems. Working both on our own and together with our partners, we integrate our products into the platform strategies of the world's leading vehicle manufacturers.

Renault is Europe's first producer to equip models with gasoline direct-injection engines. As development partner and supplier for this complex technology, we are currently expanding its applications in cooperation with a number of other carmakers. Among our many state-of-the-art products are all types of fuel injection systems and engine and emission management systems. We are the world's leading producer of airbag electronics, selling nearly seven million sensor units a year. And we are also the world's top supplier of electronic immobilization systems, delivering seven million units a year.

"We improve vehicle safety, comfort and performance"

We are working on a number of future-oriented technologies like common-rail diesel systems, electromechanical valve systems, radar distance-control systems, combined starters and generators, more advanced electronic suspension systems, and sophisticated information and navigation systems featuring integrated multimedia solutions.

We intend to sustain our dynamic growth in the coming years, with a special focus on expanding business in Western Europe and North America. As we expand our systems integration business, we will coordinate our efforts even more closely with the development and production strategies of our customers.

For more information about our modules, systems and components, please visit our Web site at:

http://www.siemens.de/at

LIGHTING

This new halogen mini-lamp requires no transformer; it is smaller, more brilliant and has a longer life than its conventional counterparts.

OSRAM GMBH

As a specialist for lighting and related electronic gear, we provide economical, long-life lamps for every kind of application.

Our product range encompasses general-purpose lighting, automotive lighting systems, photo-optical lighting, electronic control gear and opto-semiconductors. We provide lighting for a wide variety of locations: from private households to sports stadiums, from shopping centers to factory floors. Our xenon headlights offer innovative design solutions to the automotive industry, and our special photo-optical lamps create spectacular lighting effects like those produced at rock concerts. We were quick to recognize the enormous potential of integrating lamps and electronic control gear; this technology is now the basis of many of our innovations.

Our research and development activities focus on improving the efficiency of our lamps and lighting systems, finding new methods to generate light, and optimizing our production processes. One top priority in all our work is ensuring maximum environmental compatibility throughout all phases of our products' life cycles.

Our innovative growth drivers are halogen lamps, energy-efficient compact fluorescent lamps, halogen vapor lamps, electronic control gear, and optoelectronic light sources. In 1999, we teamed up with Infineon Technologies to found a joint venture for developing and producing opto-semiconductors. Light-emitting diodes (LEDs) are the best-known product in this field. Only a few tenths of a millimeter in size, they offer numerous advantages in special applications: low energy consumption, an extremely long operating life of over 100,000 hours, and high shock resistance.

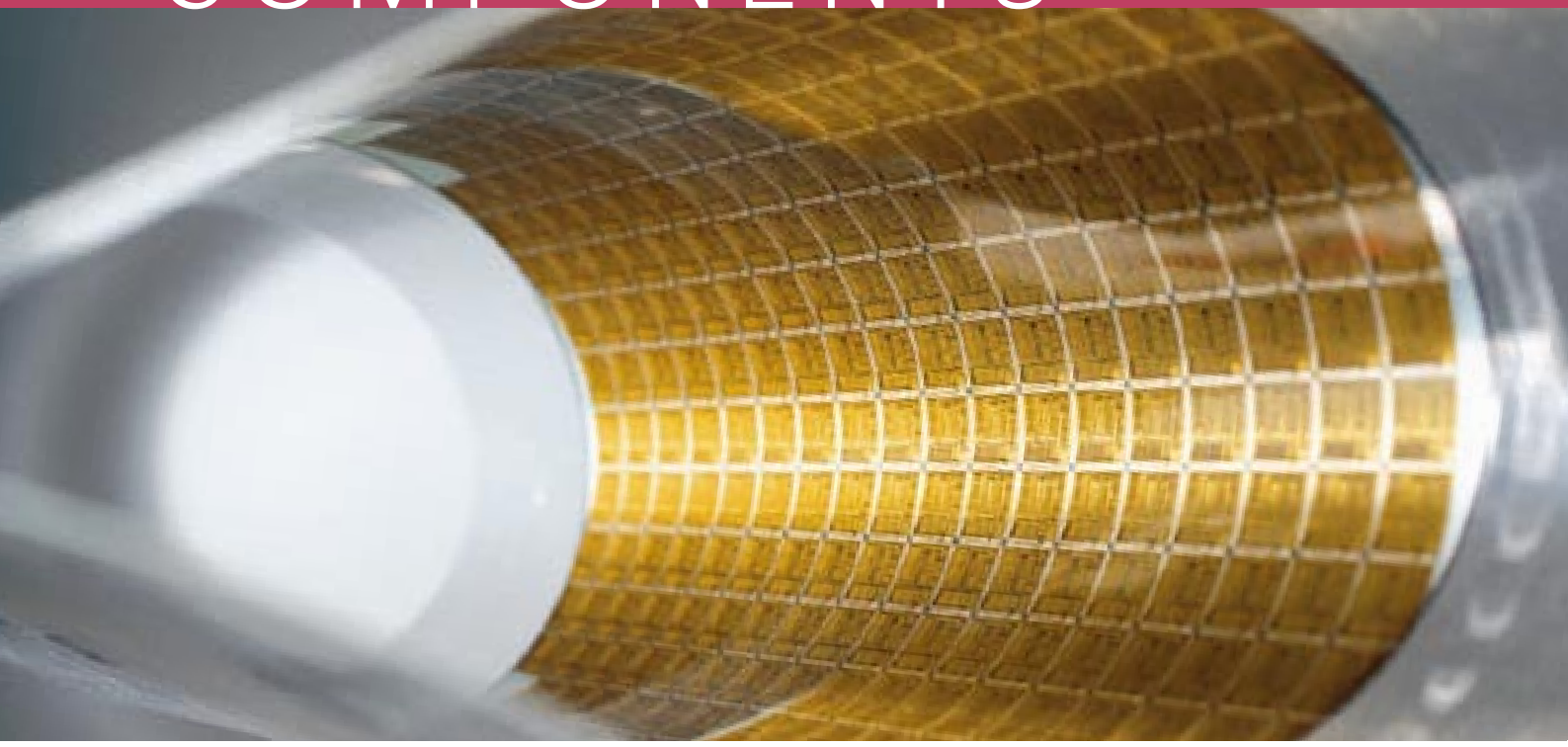
"We expect sales of opto-semiconductors to grow 15 to 20%"

Over the next five years, we will continue to expand our share of the world market by building up and optimizing business in promising new regional markets. Technical innovation will remain a crucial growth driver at Osram.

For more information about our products and systems, please visit our Web site at:

http://www.osram.com

COMPONENTS



Tomorrow's technology today: The electronic label, a flexible IC for packages, luggage tags and merchandise markers.

INFINEON TECHNOLOGIES

Infineon is the leading provider of chip solutions for communications, Internet applications and mobile phones, as well as the top supplier of ICs used in automotive and industry electronics, security systems, smart card applications and memory components.

Our ranking among the world's top ten semiconductor companies proves it: Infineon is well positioned for future growth. We are the world's leader in the smart card segment and in key communications applications. Infineon is ranked second in automotive electronics (excluding car radios) and third in mixed-signal switches. We are among the world's top five manufacturers in the memory sector, and are a technological leader with advanced products like the 256-megabit DRAM.

Our sales in the logic sector have doubled in the last three years. At the same time, our cutting edge in technology has given us an outstanding cost position worldwide in our semiconductor production. Our joint development with Motorola of 300-mm wafer manufacturing technology has put us a step ahead of the industry.

We are also setting new trends in microelectronics together with our partner IBM: in addition to a cooperative alliance to develop technology for logic switches, we have set up the Altis Semiconductor joint venture in France to manufacture logic chips.

"We have grown faster than any other major semiconductor manufacturer"

Our customer-oriented company structure focuses on market leaders in rapidly growing business sectors. We generate nearly 50% of our sales with roughly forty key accounts and provide individual support to another 1,600 customers around the world.

We look forward to the public listing of Infineon Technologies in the spring of 2000.

For more information about our products, please visit our Web site at:

http://www.infineon.com

COMPONENTS

Ultra-capacitors: Pacesetters in the transportation, power electronics, industrial electronics and renewable energy sectors.

EPCOS AG (ELECTRONIC PARTS AND COMPONENTS)*

Passive components are indispensable components of equipment and systems in all sectors of the electrical engineering and electronics industry.

Power capacitors in high-tech trains like Germany's ICE express, miniature surface acoustic-wave filters and microwave ceramic filters in state-of-the-art mobile phones, and innovative interference suppression devices in industrial electronics bear witness to the unusual versatility of our passive electronic components.

"We generate over 70% of our sales with new products"

Offering over 40,000 different products, we are one of the few broadliners operating successfully on a global scale. Roughly 50% of our sales are generated in businesses in which we are number 1 worldwide. Our sales are outpacing the market 2- to 3-fold.

Our specialists in design centers for surface acoustic-wave components in New Jersey, Singapore, Tokyo and Munich support all major mobile phone manufacturers worldwide. Siemens Matsushita Components, a joint venture in which Siemens and Matsushita have cooperated for ten years, now forms the core of EPCOS AG. The company debuted on stock markets in Germany and the U.S. on October 15, 1999. Siemens and Matsushita each hold a 12.5% plus one share stake in the new company.

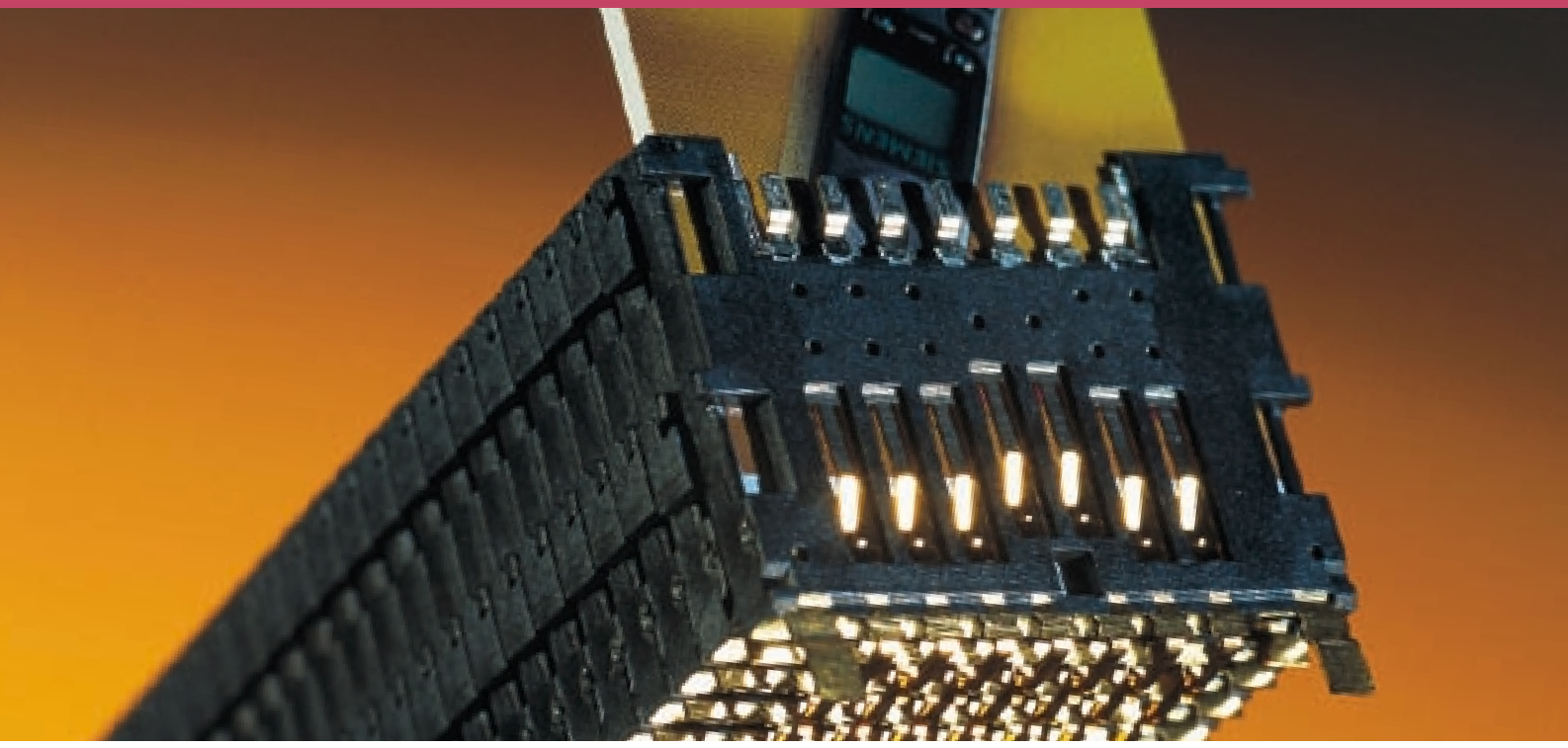
Over 70% of our sales are generated with products developed within the past five years. Typical examples of outstanding innovations include powerful microwave ceramic- and surface acoustic-wave filters for mobile communications, and our UltraCap capacitors, which have set new industry standards in power electronics.

We intend to continue growing faster than the market and to improve our top position in the global market, particularly in the NAFTA countries and the Asia-Pacific region.

For more information about our products and services, please visit our Web site at:

http://www.epcos.com

* no longer consolidated



More content can be stored without changing cards: the MMC Receptacle is the world's first stackable connector for MultiMediaCards.

SIEMENS ELECTROMECHANICAL COMPONENTS GMBH & CO. KG*

Relays, sensors, connectors, hybrids and much more: we are one of the world's leading suppliers of switches, contacts, and assembly and connection systems. Our activities also include developing and manufacturing electronic modules.

We offer everything from individual components to complete subsystems, including co-development projects with customers, engineering and other services. We are a components producer, mechatronics specialist and systems provider for customers in the automotive, telecommunications, manufacturing, and consumer industries. We find solutions for concrete applications involving miniaturization, high-speed features, intelligent systems, and production and automation concepts.

"We offer a direct line to the factory with our online ordering and call service"

Our one-face-to-the-customer strategy, our Global Account Management program, and our global distribution network are key pillars in our drive to optimize customer orientation. We offer efficient logistics like "rolling forecasts" and "ship to stock/ship to line" as well as an electronic data interchange (EDI) system linked directly to our plants, with online ordering and call service.

Our MultiMediaCard Receptacle (MMCR) is a modular, surface-mountable connector system designed specifically for the innovative MultiMediaCard storage device. MMCRs can be linked via bus contacts to form space-saving stacks.

We will soon begin series production of a highly sensitive, yet shock-resistant silicon microrelay. This extremely flat switching element is designed for low-power and standby applications.

Siemens is selling the entire Electromechanical Components Group to Tyco International, a global company active in the industry and service sectors. The Group's previous business will continue to grow in this strong new constellation, offering our customers even more comprehensive service.

For more information about our products and systems, please visit our Web site at:

http://www.siemens.de/ec

* no longer consolidated

FINANCING AND REAL

Technology financing is our business.

SIEMENS FINANCIAL SERVICES (SFS)

We are an international, customer-focused organization providing tailored solutions ranging from sales and investment financing to fund management.

We develop products and services in a networked process which involves – as equal partners – our customers, our customers' customers, and – on a project-by-project basis – a variety of suppliers. Our customers' success is the measure of our success.

Through close partnerships with all Siemens Groups and regional units, we have gained comprehensive know-how in financial transactions and built up our international presence. Our integration in Siemens also gives us access to a range of technological expertise unique in our field. This winning combination enables us to increase long-term value for our partners and customers.

"We maximize customer benefit through financial enterprising"

In our current start-up phase, we are focusing on our core businesses of equipment leasing and management, participation in infrastructure projects, project and trade financing, and the purchase and management of receivables.

Our consulting services, including the management of investment funds for institutional and private investors and our functions as Siemens' treasury, are the second pillar of our business. In our treasury capacity, we are responsible for liquidity supply, financing activities, interest-rate and currency-risk hedging, and worldwide payment transactions for Siemens. As we continue to expand our business step-by-step, we are increasingly marketing our services to non-Siemens customers as well.

For more information about our services, please visit our Web site at:

http://www.sfs.siemens.de

ESTATE

SIM at work: the new office building and SiemensForum at corporate headquarters in Munich.

SIEMENS REAL ESTATE MANAGEMENT (SIM)

Having assumed an ownership function for all of Siemens' domestic real estate, we are responsible for implementing a professional and profit-oriented real estate management strategy, reducing space allocation costs, and maximizing return on property no longer needed for company use.

SIM manages real estate assets comprising some 9 million square meters of floor space and roughly 18 million square meters of land located primarily in Germany. These assets have a book value of about DM3.5 billion.

"We manage Siemens' real estate assets"

We are increasingly expanding our value-generating activities to include property outside Germany, and already have company-wide responsibility for consulting and monitoring in real estate matters.

We offer our customers comprehensive real estate know-how in three main areas: asset management, rental and services, and project architecture and technology. In our function as owner of Siemens' domestic real estate holdings, our asset management activities include portfolio management, handling all real estate transactions, and maximizing the return on property no longer needed for company use.

Rental and services, our second area of activity, involves the rental of Siemens-owned real estate to company units as well as to an increasing number of external tenants. In keeping with the principle "floor space plus full service," customers are provided with a broad, market-oriented package of services that enable them to focus completely on their own businesses.

Project architecture and technology, our third business area, develops and implements construction projects for the company as well as for an ever larger number of external customers. The unit focuses on corporate and high-tech industrial architecture.

For more information about SIM, please visit our Web site at:
http://www.siemens.de/sim

HOUSEHOLD APPLIANCES

Equipped with electronic control systems, appliances like this stove are easy to use and can be networked with other appliances.

BSH BOSCH UND SIEMENS HAUSGERÄTE GMBH

Dishwashers, washing machines, dryers, stoves, refrigerators, freezers, air conditioners, vacuum cleaners and small appliances: all our products boast state-of-the-art electronics.

We have been increasingly incorporating electronic control systems into our products since the 1980s, minimizing their consumption of energy and water, and making them easier to use. Generating customer benefit and meeting the needs of consumers are our top priorities in developing new products, which exploit our vast technical expertise.

The household of tomorrow will be fully automated. The networking of all electronic systems to improve safety, convenience and environmental protection is already a reality at BSH. We are the first company to market a complete home automation system – the Home Electronic System (HES) – and the appliances to go with it. We will be supplementing the HES in the near future with a package of attractive "smart services" which can detect and report problems via remote links before customers notice them.

"We network your appliances"

We are working to secure our position as the industry's top innovator and trendsetter. We will continue to rigorously expand our market position in the U.S., the world's single largest market for household appliances. While maintaining our commitment to grow in our German home market, the cornerstone of our success, we will also focus on expanding our production and sales organization in growth markets around the world.

For more information about our products and services, please visit our Web site at:

http://www.siemens.de/hausgeraete

PANORAMA

Teaming up for success worldwide

THE NETWORKED

WE OPTIMIZE HEALTH-CARE PROCESSES

The move had been planned right down to the last detail. Everyone involved had been preparing for this day for years. Late last March, two thousand doctors, nurses and administrators packed up their medical equipment – not to mention the 200 patients in the hospital at the time – and moved into the new Arrowhead Regional Medical Center in Colton, California, near Los Angeles. The Center is "one of the most technologically advanced facilities of its kind," points out Medical Director Dr. Carl Jansen. This achievement is due in no small measure to the hospital's long-standing partnership with Siemens. "We are one of the few hospitals in the United States to have completely dispensed with conventional x-ray systems," Jansen explains. Step-by-step over the past few years, the hospital had networked its various departments and built up an electronic archiving and communications system for digital images.

Experts from Siemens and Arrowhead worked together closely to set up the new system, train staff and engender enthusiasm. "Nobody wants to go back to the old days," Jansen is pleased to report. "Even the staunchest proponents of conventional film now see the advantages of being able to call up archived x-rays in a matter of seconds to compare them with the latest images." Radiologist Finn Lindhardt of the General Hospital in Viborg, Denmark, underscores the benefits of increased speed: "Thanks to electronic image networking systems, surgeons have x-rays on hand even before the patients get back to their rooms."

Doctors in Vienna can already look back on several years of experience with "filmless" imaging. The Donauspital hospital in Austria's capital pioneered imaging diagnostics in 1992. In the first year alone, over 400,000 images were digitally generated and archived. The figure

THE FUTURE OF NETWORKS

One defining feature of the information and knowledge society of the 21st century is already clear today: networking. Siemens' competencies in this area are virtually unparalleled. They extend beyond expertise in telecommunications and data networks to include other network applications like linking hospitals and doctors, operating power grids, managing traffic control systems, controlling entire industrial and building systems, or operating the increasingly complex onboard systems found in today's cars. As a broadliner in this field, Siemens unites all facets of networking under one roof: the hardware and software for creating a high-performance communications network, plus the concepts and solutions that facilitate access to the system, like optimal user interfaces, voice and gesture control, or intelligent software agents which perform routine network tasks. Finally, Siemens also provides services that help customers exploit the full potential of networking. These services include everything from tailored financing solutions to running complete customer networks.

HOSPITAL

has since climbed to roughly five million. As Professor Werner Hruby, head of the Institute for X-Ray Diagnostics, notes, "reduced radiation is not the only benefit; communication between departments has also vastly improved, which is one reason our patients now spend a lot less time in the hospital."

The digital revolution will continue at Arrowhead over the next few years with upcoming innovations like voice-controlled computers and Siemens' Electronic Patient Records system, which stores all data – ranging from diagnoses and digital x-ray images to video sequences and billing records – and makes it accessible via a single user interface. These solutions reflect the need for software tailored to each organization's specific requirements – an approach now being tested at Berlin's Reinickendorf Medical Center, whose Humboldt Hospital is hosting the European pilot project for the Electronic Patient Record system. "There is plenty of high-tech equipment on the market. What we really need are solutions that can be seamlessly integrated into the hospital environment, and companies that understand the way we work," Jansen stresses. This approach can succeed only in a partnership in which "everyone learns from everyone else," says Harold Hata, Siemens' Sales Account Executive for Arrowhead. Specialists at Arrowhead have even begun testing telemedicine applications, based on Siemens' expertise in communications networks. "When doctors want advice from our specialists, all they have to do is send us their reports and images via a data link, and we can help them make a diagnosis," Jansen explains. He adds, "I am convinced that productivity in the health-care sector can be improved only if we physicians wholeheartedly embrace computers and telecommunications." ■

NETWORKED LEARNING

WE ENHANCE OUR EMPLOYEES' KNOWLEDGE AND CAPABILITIES

Thursday, 6:00 p.m., a restaurant in Helsinki. Rauno Hammarberg (38), a sales director at Siemens Information and Communication Networks (ICN), Finland, excuses himself briefly to step outside and call Munich on his cell phone. His colleague there, Karlheinz Hafner, gets Amsterdam and Copenhagen, Bamberg and Regensburg in Germany, and Arlington, Texas, on the line. The global teleconference begins – as it has every Thursday for the last five months.

Hammarberg wants to know if any results are in yet from the Hot Desking Business Impact Project in Denmark and southern Germany. What concrete savings and project improvements would result if employees who frequently work in the field shared desks? What other suggestions do his colleagues have? The participants in the global teleconference work through their agenda item by item. A few minutes later, Rauno Hammarberg is back at his table.

"We hold our Thursday phone conferences no matter what," reports the Finnish telecommunications expert. "This iron discipline is the only way our team can successfully complete its Business Impact Project." Hammarberg's project and others like it, known at the company as BIPs, are one of the main pillars of Siemens' Management Learning Programs. BIP participants are given about five months to achieve a measurable business result with their coach, an international customer who is responsible for the further implementation of the BIP.

Business Impact Projects have helped save millions of marks since five new global Management Learning Pro-

WORLDWIDE LEARNING

New learning methods are a central element of vocational training and continuing education at Siemens. In the Advanced Management Program (S3), for instance, participants simulate business decisions at their own PCs. The renowned Duke University Business School in Durham, North Carolina, is a key partner for delivering the Management Learning Programs. Training materials are stored on servers that can be accessed anywhere in the world. Participants practice distance learning, working in newsgroups, and telecooperation – techniques that are becoming increasingly indispensable in a globally networked world. Managers and employees alike are tapping the new learning methods. Several Siemens Groups are now using information on the corporate intranet, workshops and telelearning to provide their service personnel with new-product training. On their own, employees can also access intranet information on corporate strategy, procurement, project management and business administration. The advantages are clear: employees are encouraged to take the initiative, organize learning to fit their personal schedules, and focus on subjects that are relevant to their work.

grams were introduced. In one case, a team examined employees' use of mobile phones. By arranging more favorable contract terms and providing employees with valuable tips on rates and potential savings, the team helped slash mobile phone costs in Britain by £1 million in a single year – results that can undoubtedly be duplicated in other countries.

These innovative training programs naturally aim to do more than improve business results. "Aside from acquiring theoretical knowledge in workshops – on leadership, marketing and finance, for example – participants are expected to practice action learning," explains Antonie Jakubetzki, who manages the programs in Europe. "They should learn to form networks and learning partnerships, to work in virtual teams and to combine the knowledge they acquire with cutting-edge technologies in their own businesses."

The structure and content of Siemens' management training program was completely revamped and streamlined late in 1997. The five new Management Learning Programs (S1–S5) were created to replace around thirty different corporate modules for management development. Some 1,500 employees worldwide now take part in these programs annually, and this number is expected to double in the future. "I benefited most from working across departmental, Group and national borders," reports Rauno Hammarberg. "My colleagues and I formed an international network and have already used it, for example, to set up employee exchanges. The programs have also given me new ideas for my day-to-day business. But above all, I have learned a great deal about our company's mission, and about the identity and culture of Siemens." ■

PARTNERS FOR TOMORROW'S

WE HARNESS COOPERATIVE ALLIANCES AND VENTURE CAPITAL TO DRIVE INNOVATION

When innovative solutions in the field of high-speed data transfer are presented at international conferences, audiences are often amazed to see that many of the pacesetters in this field are based in Israel. Indeed, more high-tech companies are being founded in Israel than anywhere else in the world – with the exception of the U.S. – and the trend is not new. What's the secret of the more than 3,000 Israeli start-ups? "Aside from our well-trained engineers, the large number of – predominantly Russian – immigrant academics and our highly developed military technology sector, it is primarily our orientation toward the global market. We don't hesitate to work with big companies that do business around the world," explains Noam Alroy, one of the founders of Savan Communications Ltd. in Netanya, near Tel Aviv.

In just two years, Alroy and his team of some thirty people have managed to capture the industry's attention with an unprecedented achievement. Working with Siemens, they developed a high-speed modem (VDSL, or very-high-bit-rate digital subscriber line) capable of transmitting all types of voice and multimedia data via conventional cooper cables over distances of up to 1.5 kilometers and at speeds of up to 13 megabits per second – one hundred times faster than ISDN systems. Installation costs are kept to a minimum because there is no need to lay expensive fiber-optic cables. The modem can also transfer ATM and Ethernet data – even to other common transmission systems like ISDN and ADSL.

The market – primarily in Europe and the Far East – for this economical, versatile and powerful VDSL modem is worth billions. The easy-to-install modem is ideally suited for applications like business transactions within industrial zones and city centers, high-performance university networks, and video-on-demand systems in hotels. Extensive field tests by phone companies around the world have shown that the modem's technology is the world's foremost VDSL solution. Siemens and Savan are currently

working with other companies to define global standards for VDSL data systems.

Siemens has a variety of ties to the Israeli company, including a financial stake and agreements for technical cooperation between Savan and three Siemens units: Infineon Technologies and the Information and Communication Networks Group, both headquartered in Germany, and Siemens Data Communication in Karmiel, Israel. Noam Alroy is convinced that both sides are big winners in this cooperation. As he puts it, "Savan has gained a strong partner with extensive experience, a high-tech reputation and a worldwide network." For its part, Siemens benefits from the advantages offered by a small, flexible and highly innovative company. Working with Savan, cutting-edge products can be developed quickly and unconventionally. "We have managed to combine the unbureaucratic, creative, hands-on approach that prevails at Savan with the long-term, precise way of thinking that characterizes Siemens," Alroy concludes. "This combination of two different mentalities and approaches is ideal – and is the basis of our success." ■

VENTURE CAPITAL FOR YOUNG COMPANIES

Trailblazing ideas and instant action are the keys to success in the dynamic growth markets of telecommunications and computer technology – and small, flexible companies are often ideal sources of both. The problem is, start-ups typically lack capital to cover investments and upfront R&D. The solution: private investors who step in to provide venture capital. With the help of its own venture units, Siemens has been investing in promising companies for years. Siemens Venture Capital GmbH, established January 1, 1999, now pools all of Siemens' venture activities and serves as an investment navigator for the company. More than DM350 million has already been placed in Europe, Israel and the U.S., primarily in the fields of information technology, telecommunications, medical engineering and microelectronics. In Israel alone, Siemens has direct or indirect stakes in more than fifty start-ups; worldwide, the figure is around 300. Siemens sees such cooperations as a fast-track way to develop new technologies, tap new markets and create value for both partners.

OPENING DOORS WITH

WE PARTNER WITH CUSTOMERS TO DEVELOP PIONEERING SYSTEMS SOLUTIONS

The scene in a Siemens parking lot in Regensburg has a touch of magic: when Michael Stippler approaches an S-class Mercedes sedan and touches the door handle, the lock instantly pops up. The engineer gets in, steps on the brake, presses a button on the shift lever and the engine springs to life. Are keys suddenly a thing of the past? "That's right," Stippler says. "Drivers of cars equipped with our Keyless Go system will never have to use keys again." Thanks to a joint project with Siemens, DaimlerChrysler is the world's first carmaker to offer a system of this kind – for its S-class models since April 1999 and the CL coupés beginning in the fall.

"Demand is exceeding all expectations," Michael Geber, head of lock and drive authorization systems at DaimlerChrysler, is pleased to report. While no more than 10% of customers were initially expected to order this extra feature, it turns out nearly every second customer is willing to spend some DM2,000 for the "open-sesame" option. Siemens is supplying DaimlerChrysler with more than 500 Keyless Go systems a week. Geber is certain that other companies will now push similar developments, "but we expect to keep ahead of the pack for another year or two."

This success story was anything but a sure bet. While Mercedes' innovative electronic key was a step in this direction, nobody had even thought of eliminating the key entirely. Michael Daiss, Keyless Go expert at DaimlerChrysler recalls: "The first ideas were tossed around six years ago at a brainstorming session of Daimler and

NEW IDEAS

Siemens experts." At the meeting, Siemens engineers demonstrated that antennas could be used to localize objects both inside and outside vehicles.

The idea caught on and the system's basics were quickly developed by a joint team. With Keyless Go, drivers carry a credit card-sized unit with an embedded wire coil and microchip. When a driver gets within three feet of the car, antennas in the doors or bumper induce an electric current in the coil, prompting the card to transmit a high-frequency radio signal back to the car. Once the encrypted codes have been exchanged and verified, and the driver touches the handle, the doors automatically unlock. Unlike conventional remote entry systems, Keyless Go requires no manual operation.

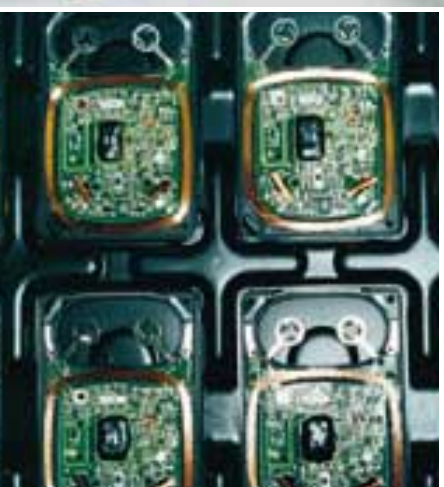
The project team quickly agreed on other convenience and safety features. Thanks to capacitance sensors in the door handle, doors won't unlock until the driver actually touches the handle. If a driver accidentally locks the card in the trunk, the trunk is activated by antennas registering the card's presence and automatically opens. And an important safety feature prevents the engine from starting until a sophisticated system of antennas in the doors and a pulsed sequence of signals between the antennas and the card have confirmed that the card is actually inside the car.

"The biggest challenge, aside from the new technology, was the immense amount of coordination required," reports Michael Stippler. While only a handful of engineers are involved in developing conventional products for the automotive electronics segment, with Keyless Go the most diverse requirements had to be reduced to a common denominator. Where will the antennas fit between the side airbag and the window mechanism in the doors? What is the best combination of antenna location, electric controls and electromagnetic field range? What sequence of communications is needed between transmitter, engine management system and dashboard display? How should the door lock and shift lever be constructed? What kind of design should the Keyless Go card have?

"All of these critical details had to be dealt with parallel to vehicle development," Michael Geber recalls, and this was possible only because of the short communication paths within the team. First of all, the heads of the subprojects met nearly once a week. Second, Siemens

delegated two experts to DaimlerChrysler: sales engineer and consultant Klaus Dirnberger, and engineer Karl-Jürgen Peters. Among other duties, Peters was responsible for commissioning the system components and performing tests on the vehicles, which were still under tight wraps at the plant.

Not only did the experts from DaimlerChrysler and Siemens have to coordinate their work, they also had to reach agreements with outside suppliers for components like door handles and transmitters. "Competitors often sat together beside the car in the workshop calmly debating matters," says Michael Geber. The atmosphere wasn't always so friendly. "Discussions sometimes got quite heated. But you just have to be able to cope with things like that without losing sight of your main goal." Ultimately, the cooperation between Siemens and DaimlerChrysler was not only very close, but highly successful, according to Geber. Building on this positive experience, the partners are working on further refining the system, such as minimizing antenna size, integrating the card with an emergency key, and cutting costs so that Keyless Go can also be offered in other models. ■



PARTNERING WITH OUR CUSTOMERS

Keyless Go is not Automotive Systems' only development project for optimizing customer benefit: among other joint ventures, the Group also works with PSA Peugeot-Citroën and Renault in France, and the engine and bus manufacturer Navistar in the U.S.

Nor are partnerships with customers limited to the automotive industry. At Siemens' usability labs, customers test the operation of more than 100 product prototypes, ranging from telephones and computed tomograph systems to entire control rooms. While operating these prototypes without instructions, they are monitored by a team of engineers, computer scientists, designers and psychologists. With this process, Siemens can optimize usability step-by-step to achieve clearly structured user interfaces and intuitive menu controls. Two new usability labs – one in Beijing and the other in Princeton – are currently conducting studies to determine how customer demands differ from country to country.

INFORMATION FOR SHAREHOLDERS

Profits surge 37%

REPORT OF THE SUPER

Dear Shareholder,

Your Company is working hard to strengthen its long-term profitability. At our Supervisory Board meetings in July and November of 1998, we discussed a program that included the restructuring of our business portfolio and other extensive measures, all aimed at increasing the productivity and efficiency of our business activities while reducing the total assets employed. The exclusive measure for evaluating the performance of our operating units and making investment and divestment decisions is Economic Value Added.

Revamping the Information and Communications segment

A year ago I reported to you on the reorganization of our Information and Communications (I&C) segment, which took effect on October 1, 1998. The Managing Board had presented comprehensive plans in July of 1998, and elucidated the details of their implementation at our meeting in December of that year.

In April of 1999, we received a situation report from Information and Communications Networks (ICN), the largest I&C Group. It addressed in particular measures to be taken in the field of Internet technology. In July 1999, we discussed the situation and strategy of Siemens Business Services (SBS), the I&C Group formed from part of our former Siemens Nixdorf Informationssysteme AG unit. In fiscal 1999, a year earlier than planned, SBS achieved profitability.

We focused on Information and Communication Products (ICP) in November of 1999. ICP succeeded in overcoming problems that had appeared in its mobile phone business last year and has since won back the number 1 position in Germany. Ambitious expansion plans are now being implemented. The Group's computer systems business was merged into a joint venture, Siemens Fujitsu Computers, effective October 1, 1999. In addition, ICP is executing an extensive divestment program. The Group has sold Siemens Nixdorf Retail and Banking Systems, which had handled its point-of-sale and self-service systems business, and is in the process of selling its communications cable activities.

Spinning off the Components Groups

In April of 1999, we discussed in detail the anticipated changes in the Components segment. Two Groups in this segment, Electromechanical Components and Semiconductors, became legally independent on April 1, 1999. Major parts of the third Group, Passive Components and Electron Tubes, were incorporated in EPCOS AG on July 1, 1999.

As the year ended, we signed an agreement to sell Electromechanical Components (EC). On October 15, 1999, we completed a successful public listing of EPCOS AG in Frankfurt and New York. Siemens holds an ownership stake of 12.5% plus one share in the company.

VISORY BOARD

The public listing of Semiconductors – now Infineon Technologies AG – is planned for the spring of 2000. Because of difficult conditions in the semiconductor market, we requested a detailed report on Siemens' activities in this area in November of 1998. We are glad to report that Infineon was back in the black in fiscal 1999.

Additional areas of focus

One focal point of our December 1998 meeting was Transportation Systems (VT), which significantly reduced its losses in fiscal 1999, as expected. Top priority is being given to continuing the Group's restructuring measures.

We have been paying particular attention to measures being taken by money-losing Power Generation (KWU). KWU has set in motion a comprehensive quality improvement program in its gas turbine business. Through its acquisition of the Westinghouse fossil fuel power plant business and the anticipated joint venture with Voith in hydroelectric power, KWU has taken an excellent strategic position in two important industries. New partnerships are under discussion for KWU's nuclear power business as well.

In view of the particular strategic importance of technical innovation, the Supervisory Board in July 1999 attended to the work of the corporate R&D department and its role in framing development efforts in the operating Groups.

Other topics that occupied us during the year included the increasing weight of performance-oriented factors in Managing Board compensation and the introduction of stock options (November 1998), Siemens' risk management system (December 1998), and preparations for the Year 2000 transition (April 1999).

Supervisory Board meetings and committees

We held five regular Supervisory Board meetings during the fiscal year. Between these meetings, the Presidency of the Supervisory board maintained close contact with the Managing Board. As one of the three constituted committees on our Board, the Presidency met three times, to address matters involving Managing Board personnel and questions concerning corporate strategy and business development, as well as the appointment of independent auditors. The mediation committee, formed

pursuant to Article 27, paragraph 3 of the German Codetermination Act, had no occasion to meet during the year. The committee responsible for exercising participation rights, defined in Article 32 of the Act, voted on resolutions circulated to each member and notified the Board of the outcome at subsequent meetings.

Financial statements

The Company's accounting principles, the annual financial statements of Siemens AG and the consolidated financial statements as of September 30, 1999, as well as the combined management's discussion and analysis of Siemens AG and Siemens worldwide consolidated, have been audited and approved without qualification by KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main. We also examined the Company's records ourselves.

The KPMG audit reports were presented to all members of the Supervisory Board, and we discussed them thoroughly, together with the auditors, at our balance sheet meeting. At this meeting, the Managing Board presented a comprehensive report on the scope and cost of the audit. In view of our approval, the financial statements are accepted as submitted. We endorse the Managing Board's proposal that the net income available for distribution be used to pay a dividend of €1 per share, and approve the proposals that the amount attributable to treasury stock be carried forward and that the remainder be transferred to other retained earnings.

Changes in the Managing Board

There were no changes in the Supervisory Board's composition in fiscal 1999, since its members had been elected to a five-year term at the Annual Shareholders' Meeting in February 1998. On August 1, 1999, Dr. Klaus Wucherer, head of Automation and Drives (A&D), was appointed to the Managing Board of Siemens. Dr. Ulrich Schumacher left the Managing Board on April 1, 1999, to head newly founded Infineon Technologies AG. After serving Siemens for 34 years, Adolf Hüttl, head of Power Generation (KWU), retired on September 30, 1999. We thanked both departing Managing Board members for their service to the Company.

Berlin and Munich, December 1, 1999.
For the Supervisory Board

Dr. Karl-Hermann Baumann
Chairman

THE SUPERVISORY BOARD

Karl-Hermann Baumann, Dr. rer. oec.
Chairman

Additional positions
Supervisory Board:
Allianz AG
Deutsche Bank AG
Linde AG
Metallgesellschaft AG
Schering AG
Thyssen Krupp AG

Alfons Graf
First Deputy Chairman
Chairman of the Central Works Council

Rolf-E. Breuer, Dr.
Second Deputy Chairman
Spokesman of the Board of Managing Directors, Deutsche Bank AG

Additional positions
Supervisory Board:
Deutsche Börse AG (Chairman)
Deutsche Lufthansa AG
Münchener Rückversicherungs-Gesellschaft
VEBA AG

Board of Administration:
Compagnie de Saint-Gobain S.A.
Landwirtschaftliche Rentenbank

Helmut Cors
Member of the Federal Executive Committee, Deutsche Angestellten Gewerkschaft

Additional positions
Supervisory Board:
DAG-Technikum gemeinnützige Fernunterrichts GmbH
Hebel AG

Bertin Eichler
Executive Member of the Board of Management, IG Metall

Additional positions
Supervisory Board:
Allgemeine Deutsche BauBecon AG
BGAG Beteiligungsgesellschaft der Gewerkschaften AG (Chairman)
Direktbank AG
IGEMET GmbH (Chairman)
Luitpoldhütte AG
Treuhandverwaltung

Jean Gandois
President, Cockerill Sambre S.A.

Additional positions
Supervisory Board:
Akzo Nobel N.V.
Compagnie Financière de Paribas S.A.
Peugeot S.A.
Rodamco Continental Europe N.V.
Suez Lyonnaise des Eaux S.A.
Vallourec S.A.

Board of Administration:
Air Liquide España S.A.
Air Liquide Italie S.p.A.
Danone S.A.
Eurafrance S.A.
Société Générale de Belgique S.A.
Sogepa S.p.A.

Birgit Grube
Office clerk

Heinz Hawreliuk
Head of the Company Codetermination Department, IG Metall

Additional positions
Supervisory Board:
DaimlerChrysler Aerospace AG
Daimler-Benz Luft und Raumfahrt Holding AG
Eurocopter Deutschland GmbH
Infineon Technologies AG

Ralf Heckmann
Chairman of the Combined Works Council, Siemens AG

Robert M. Kimmitt
Senior partner, Wilmer, Cutler & Pickering

Additional positions
Supervisory Board:
Mannesmann AG

Board of directors:
Allianz Life Insurance Co.
Big Flower Holdings, Inc.
United Defense Industries, Inc.

Heinz Kriwet, Dr.
Chairman of the Supervisory Board, Thyssen Krupp AG

Additional positions
Supervisory Board:
Allianz Lebensversicherung-AG
Dresdner Bank AG

Hubert Markl, Prof. Dr.
President, Max-Planck-Gesellschaft zur Förderung der Wissenschaften e.V.

Additional positions
Supervisory Board:
Bayerische Motoren Werke AG
Hoechst AG

Georg Nassauer
Steel casting constructor

Albrecht Schmidt, Dr.
Spokesman for the Managing Directors, Bayerische Hypo- und Vereinsbank AG

Additional positions
Supervisory Board:
Allianz AG
Lufthansa Commercial Holding GmbH
Münchener Rückversicherungs-Gesellschaft
VIAG AG

Group positions:
Bayerische Handelsbank AG (Chairman)
Nürnberger Hypothekenbank AG (Chairman)
Süddeutsche Bodencreditbank AG (Chairman)
Vereins- und Westbank AG (Chairman)

Administrative Council:
ADIG Allgemeine Deutsche Investment GmbH (Chairman)

Henning Schulte-Noelle, Dr.
Chairman of the Board of Management, Allianz AG

Additional positions
Supervisory Board:
BASF AG
Dresdner Bank AG
Linde AG
MAN AG
Mannesmann AG
Münchener Rückversicherungs-Gesellschaft
Thyssen Krupp AG
VEBA AG
Group positions:
Allianz Versicherungs-AG (Chairman)
Allianz Lebensversicherungs-AG (Chairman)

AGF S.A. (Board of Adminstration)
Elvia Versicherungen AG (Board of Administration)
Fireman's Fund Corporation (Member of the Board)
RAS S.p.A. (Board Vice President)

Georg Seubert
Fitter

Peter von Siemens
Industrial manager

Additional positions
Supervisory Board:
Albingia Versicherungs-AG
Münchener Tierpark Hellabrunn AG

Daniel L. Vasella, Dr.
President, Novartis International AG

Additional positions
Board of Administration:
Credit Suisse Group

Klaus Wigand
Industrial clerk

Erwin Zahl
Telecommunications installer

MANAGING BOARD

Heinrich v. Pierer, Dr. jur. Dr.-Ing. E. h.
President and Chief Executive Officer, Siemens AG

Outside positions
Bayer AG
Hochtief AG
Münchener Rückversicherungs-Gesellschaft AG
Volkswagen AG

Company positions
Siemens Aktiengesellschaft Österreich (Chairman)

Volker Jung, Dr. Eng. h. c.

Outside positions
MAN AG

Company positions
EPCOS AG (Chairman)
Infineon Technologies AG (Chairman)
Siemens A.E., Athens (Chairman)
Siemens Information and Communication Networks, Inc.
Siemens Ltd., Johannesburg (Deputy Chairman)
Siemens Ltd., Hong Kong
Siemens Nixdorf Retail and Banking Systems GmbH (Chairman)

Edward G. Krubasik, Dr. rer. nat.

Outside positions
Dresdner Bank AG
KSB AG
STINNES AG

Company positions
BSH Bosch und Siemens Hausgeräte GmbH
Siemens A/S, Oslo
Siemens Building Technologies AG (Chairman)
Siemens-Elema AB
Siemens France S.A.
Siemens Osakeyhtiö (Deputy Chairman)

Heinz-Joachim Neubürger

Outside positions
Allianz Versicherungs-AG
Bayerische Handelsbank AG

Company positions
Infineon Technologies AG
Siemens Corporation, New York (Deputy Chairman)
Siemens Kapitalanlage-gesellschaft mbH (Chairman)
TELA Versicherung AG (Chairman)

Peter Pribilla, Prof.

Outside positions
Deutsche Krankenversicherung AG
PHYWE GmbH

Company positions
Grupo Siemens S.A. de C.V., Mexico City
Siemens Canada Limited
Siemens Corporation, New York (Chairman)
Siemens Information and Communication Networks, Inc.
Siemens Information and Communication Products LLC
Siemens Medical Systems, Inc.

Jürgen Radomski

Outside positions
Expo-Beteiligungsges. d. Dt. Wirtschaft mbH & Co. KG
IMT Berlin GmbH
LINCAS GmbH

Company positions
BSH Bosch und Siemens Hausgeräte GmbH (Chairman)
Osram GmbH (Chairman)
Siemens Aktiengesellschaft Österreich
Siemens A/S, Copenhagen
Siemens Building Technologies AG
Siemens-Elema AB
Siemens Holdings plc
Siemens Nederland N.V.
Siemens Osakeyhtiö
Siemens Rt., Budapest (Chairman)
Siemens S.A., Brussels (Chairman)
Siemens S.A., Madrid (Deputy Chairman)
Siemens Schweiz AG (Deputy Chairman)
Siemens S.p.A., Milan (Deputy Chairman)
Simko Ticaret ve Sanayi A.Ş.

Günter Wilhelm, Dr.-Ing. E. h.

Outside positions
Deutsche Messe AG
Philipp Holzmann AG

Company positions
BSH Bosch und Siemens Hausgeräte GmbH
Siemens Ltd., India
Siemens K.K., Tokyo

Roland Koch

Outside positions
Italtel, S.p.A.

Company positions
Iranian Telecommunication Manufacturing Company
Siemens Information and Communication Networks, Inc. (Chairman)
Siemens Ltd., Bangkok (Chairman)
Siemens Sherkate Sahami (Chairman)
Unisphere Solutions, Inc. (Chairman)
Telsi Ltd.

Claus Weyrich, Prof. Dr. phil.

Company positions
Infineon Technologies AG
Siemens Corporate Research, Inc. (Chairman)
Vacuumschmelze GmbH

Klaus Wucherer, Dr.-Ing.

Company positions
Infineon Technologies AG
Siemens Energy & Automation, Inc. (Chairman)
Siemens France S.A.

Ulrich Schumacher, Dr.-Ing.

Company positions
Infineon Technologies Asia Pacific Pte. Ltd. (Chairman)
Infineon Technologies Japan K.K. (Chairman)
Infineon Technologies North America Corp. (Chairman)
Siemens Microelectronics Holding LLC (Chairman)
White Oak Semiconductor Partnership

Adolf Hüttl

Outside positions
Mannesmannröhren-Werke AG

Company positions
Siemens Power Corporation (Chairman)
Siemens Westinghouse Power Corp.

STATEMENT OF THE MANAGING BOARD

The Managing Board of Siemens AG is responsible for preparing the following consolidated financial statements and management's discussion and analysis. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Germany, and supplemented with additional information based on international practice. Management's discussion and analysis should be read in concert with the consolidated financial statements.

Siemens employs extensive internal controls, enterprise-wide uniform reporting guidelines and additional measures including employee education and training, to ensure that its financial reporting is conducted in accordance with applicable regulations and accepted accounting principles. We continually monitor the compliance with these measures and guidelines, and also the functionality and reliability of our internal control system, through an enterprise-wide internal audit process.

Our risk management system complies with the requirements established by the German Business Monitoring and Transparency Act (KonTraG). Our risk management system is designed to enable the Managing Board to recognize potential risks early on and initiate timely countermeasures.

In accordance with the resolution made at the Annual Shareholders' Meeting, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft has audited the consolidated financial statements and management's discussion and analysis in conformity with auditing standards generally accepted in Germany, and issued the following audit opinion. Together with the independent auditors, the Supervisory Board has thoroughly examined the consolidated financial statements, management's discussion and analysis, and the independent auditors' report. The result of this examination is included in the Report of the Supervisory Board which begins on page 42 of this Annual Report.

Dr. Heinrich v. Pierer
President and Chief Executive Officer of Siemens AG

Heinz-Joachim Neubürger
Chief Financial Officer of Siemens AG

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated financial statements and management's discussion and analysis of Siemens Aktiengesellschaft, Berlin and Munich, for the year from October 1 to September 30, 1999. In accordance with German commercial law, the preparation of the consolidated financial statements and management's discussion and analysis are the responsibility of Siemens' management. Our responsibility is to express an opinion on the consolidated financial statements and management's discussion and analysis based on our audit.

We conducted our audit of the consolidated financial statements in accordance with §317 HGB and the generally accepted standards for the audit of consolidated financial statements promulgated by the German Institute of Certified Public Accountants (IDW). Those standards require that we plan and perform the audit such that material misstatements affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with German accounting principles and in management's discussion and analysis are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of Siemens and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the consolidated financial statements and management's discussion and analysis are examined primarily on a test basis within the framework of the audit. An audit includes examining the financial statements of the companies being consolidated and the determination of the companies being included in this consolidation, the principles of accounting and consolidation, as well as assessing significant estimates made by management. An audit also includes examining the overall presentation of the consolidated financial statements and management's discussion and analysis. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any objections.

In our opinion, the consolidated financial statements give a fair presentation of the net assets, financial position and results of operations of Siemens in accordance with German accounting principles. Management's discussion and analysis provides a fair understanding of Siemens' position and presents fairly the risks of future development.

Munich, November 24, 1999

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wiedmann
Wirtschaftsprüfer

Dr. Hoyos
Wirtschaftsprüfer

(independent auditors)

MANAGEMENT'S DISC

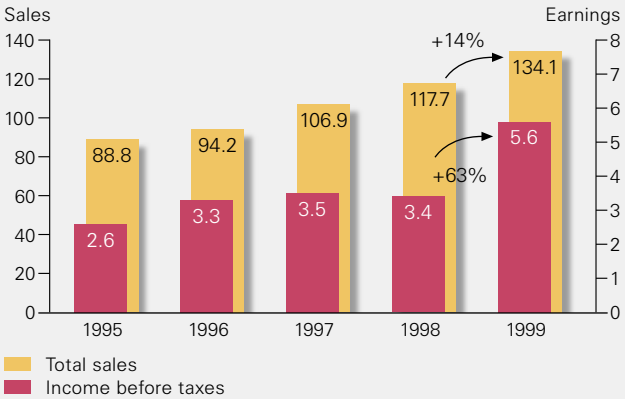
In fiscal 1999, Siemens achieved double-digit growth in sales, earnings, and earnings per share, and net cash provided by Operations was more than four times higher than fiscal 1998. All these gains resulted directly from rapid progress in executing our Ten-Point Program. Key successes included turning around our semiconductor business and strong improvement in our transportation systems and information and communications products businesses. We also strengthened our business portfolio and improved our asset structure overall.

In the financial statements that follow, we present Siemens' operating results separately from the Company's financing and real estate activities and its domestic pension fund, because these three components of Siemens are distinctly different businesses, with different goals and requirements. By breaking them out, both in the following text and the accompanying charts and graphs, we intend to provide readers with a clearer understanding of Siemens' aggregated results.

HIGHLIGHTS

- We improved our Economic Value Added (EVA), which is the basis for our overall performance evaluation at Siemens, by DM874 million compared to fiscal 1998, moving us substantially closer to our goal of earning a positive EVA in fiscal 2001 at the latest.
- Net income rose 37%, to DM3,648 million, compared to DM2,658 million in fiscal 1998. Earnings before income taxes increased 63%, to DM5,613 million.
- EBIT from Operations rose 82%, to DM5.8 billion, and EBITDA grew 37%, to DM11.9 billion.
- Earnings per share increased 91%, from DM2.70 in fiscal 1998 to DM5.14[1] for fiscal 1999, as calculated according to the new DVFA/SG formula (German Society of Financial Analysts and Asset Managers).
- Fiscal 1999 sales climbed 14% to DM134.1 billion, from DM117.7 billion a year earlier. Within the overall total, international sales grew even faster, achieving a 20% increase to DM97.6 billion. International sales benefited strongly from the first full-year consolidation of Siemens Westinghouse Power Corporation and Siemens Building Technologies (SBT).
- Gross profit on sales for Operations increased 19% to DM37.9 billion, and gross margin rose 1.3 percentage points to 28.9%. All but two of our 16 operating groups were profitable, and net cash provided by Operations grew 318%.
- One-time charges in our pension fund, required by an update of actuarial assumptions, were more than offset by higher proceeds from pension fund assets.
- In view of our earnings performance, the Managing Board proposes to increase the dividend payment from DM1.50[2] per share in fiscal 1998 to €1 (DM1.96) per share in 1999.

Sales and earnings
(in billions of DM)



[1] €1.38 in fiscal 1998 and €2.63 in fiscal 1999
[2] = €0.77

USSION AND ANALYSIS

DIVESTMENTS, JOINT VENTURES AND ACQUISITIONS[3]

One of the three main thrusts of our Ten-Point Program is strengthening our business portfolio so that Siemens is a leader in every market it serves. The business segment most dramatically reshaped by this strategic program in fiscal 1999 was Components, where we are spinning off or selling our companies in semiconductors, electromechanical components, passive components and electron tubes.

- On April 1, 1999, we converted Semiconductors (HL) into a separate legal entity called Infineon Technologies AG ("Infineon"), headquartered in Munich, Germany. We plan to list Infineon in the spring of 2000, initially retaining a majority stake.

- Also on April 1, 1999, we converted Electromechanical Components (EC) into a separate entity called Siemens Electromechanical Components GmbH & Co. KG, of Munich, Germany. We have reached an agreement to sell this business to Tyco International Ltd., and expect to close the sale in the first half of fiscal 2000.

- On July 1, 1999, we converted most of the businesses of our former Passive Components and Electron Tubes (PR) into a separate entity now called EPCOS AG ("EPCOS"), headquartered in Munich, Germany. We listed its shares on the Frankfurt and New York stock exchanges on October 15, 1999.

We aggressively streamlined our business portfolio in other segments as well. Power Transmission and Distribution (EV) closed the sale of its power cable business, and Information and Communication Networks (ICN) sold its interest in a network operator. Just after the close of the fiscal year, we agreed to sell Siemens Nixdorf Retail and Banking Systems (ICP) to a consortium including financial investors Kohlberg Kravis Roberts & Co. LP (KKR) and GS Capital Partners III, LP, the private equity arm of Goldman Sachs & Co. We also announced the sale of our holding in Vacuumschmelze GmbH ("Vacuumschmelze"), of Hanau, Germany (former part of PR) to The Morgan Crucible Company plc. We expect to finalize a number of additional divestments in fiscal 2000, including the sale of our stake in Cablecom Holding AG, of Frauenfeld, Switzerland.

We made a number of joint-venture agreements in fiscal 1999, all aimed at strengthening the market position of the businesses involved:

- Siemens Computer Systems Division joined with Fujitsu Computers Europe Ltd. to form Fujitsu Siemens Computers (Holding) B.V., of Amsterdam, Netherlands. This new venture is pursuing broad initiatives in personal computers, notebooks, network servers, and mainframes.

- Automation and Drives (A&D) launched a joint venture with one of Japan's leading makers of electric motors, Yaskawa Electric Corporation, of Kita Kyushu, Japan.

- Power Generation (KWU) plans to substantially strengthen the competitive position of its hydroelectric power business by contributing it into a joint venture with J. M. Voith AG, of Heidenheim, Germany.

Siemens holds 50% of both the Fujitsu and Yaskawa ventures; these transactions took effect on October 1, 1999, the first day of our new fiscal year. We expect that Siemens will hold a minority stake in the Voith joint venture, which is scheduled to begin operation in fiscal 2000.

All the divestments and joint ventures described above result from a sharper focus on industries where we can bring our existing expertise and infrastructure to bear to give us a competitive advantage. A major example is the broadband communications industry, in which Siemens can participate at virtually all levels. During the year we rapidly built up our broadband networking position, particularly in the U.S., where many important trends first emerge. We took full ownership or an equity stake in a number of broadband networking companies in the U.S., and consolidated them in a new division called Unisphere Solutions, Inc., headquartered in Burlington, Massachusetts. ICN manages Siemens' joint venture with U.S.-based Omnipoint Technologies, Inc., which will develop and market wireless Internet access solutions.

[3] Subsequent events are included

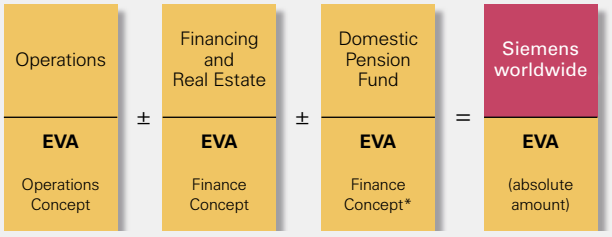
CALCULATING EVA PERFORMANCE

During fiscal 1999, Siemens continued to drive its entire management system enterprise-wide to focus on Economic Value Added (EVA). Basically, EVA is defined as net operating profit after taxes (NOPAT) minus capital cost, which represents the return minimum on the capital we employ. According to this concept, a business creates value only when it recovers its cost of capital and furthermore fulfills the expectations of capital markets regarding EVA improvements. Because the three major components of Siemens — Operations, Financing and Real Estate, and Pension Fund — are fundamentally different from each other, we adjust our calculations of EVA for each one. This enables us to use EVA as a consistent management metric while leaving business-specific value drivers transparent. The EVA for Siemens worldwide is the sum of the EVA for the three components.

EVA for Operations

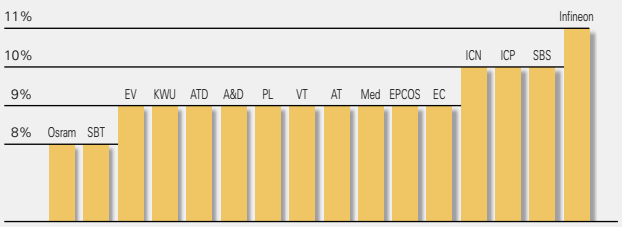
For our operating units, the basis for calculating net operating profit is EBIT (earnings before interest and taxes). We calculate net operating profit after taxes (NOPAT) before financing costs in order to remove pure financing decisions from calculations of EVA performance. This allows us to optimize equity and liquidity across the operating Groups based on prevailing tax and risk profiles, without affecting business performance measurement. For EVA purposes, the EBIT amount for each operating Group is adjusted to include certain financial transactions and to reflect a standard tax rate, currently 35%.

Three-way structure determination of EVA



* without equity allocation

Weighted average cost of capital after taxes for operating Groups



We determine capital cost using net operating assets, which consist essentially of our balance sheet assets less advances received from customers and liabilities that normally bear no interest. The term net operating assets equates to "net capital employed" except for the financial adjustments reflected in the net operating assets and the fact that we compute net operating assets for the year as the average of four fiscal quarters.

Capital cost of Operations is determined as the weighted average of the equity and debt capital cost rates after taxes. Currently the capital cost rates for our operating Groups vary between 8% to 11% (see chart), based on business-specific risk, which we calculate for our operating Groups using available market data on our publicly traded competitors.

Along with measures that are directly relevant to value-based management, such as EBIT and net capital employed, our segment reporting also discloses depreciation and write-downs for the fiscal year. In line with international practice, we have adjusted our definition of depreciation and write-downs to include write-downs on long-term financial assets and noncurrent marketable securities as well as amortization of goodwill. As a result, investors can now analyze our operating Groups for their earnings before interest, taxes, depreciation and amortization (EBITDA). This measure is gaining wider acceptance, particularly in the rapidly converging information and communication industries, where companies aggregate substantial amounts of goodwill through numerous acquisitions. In these cases, EBIT may be strongly affected by amortization of goodwill. In contrast, EBITDA bears a closer relationship to cash flow, which is increasingly used in company and stock market valuations.

EVA for Financing and Real Estate

Our Financing and Real Estate segment plays three important roles: providing efficient customer financing; acting as Siemens' internal treasury; and managing an international real estate portfolio. Our EVA calculation for this component is comparable to a measure used in the banking industry: return on risk-adjusted capital (RORAC). In this approach, higher-risk projects and assets require more underlying equity than those with lower risk. In calculating capital costs for Siemens Financial Services (SFS) and Siemens Real Estate Management (SIM), we therefore carefully assess the business volume and risk profile of their various activities.

The calculation of NOPAT for Financing and Real Estate is based on net income before taxes. Because interest cost is directly reflected in net income before income taxes, rather than captured indirectly through an overall capital cost rate, our calculation of NOPAT already includes interest costs before application of a standardized tax rate, currently 35%.

Because the requirements of debt investors are already included in net income, the capital cost rates of Siemens Financial Services (SFS) and Siemens Real Estate Management (SIM) reflect only the requirements of equity investors (that is, our cost of equity). Currently the capital cost rate is 9.75% for SFS, equivalent to a pretax rate of 15%. For SIM, the capital cost rate is 8.0%, equivalent to a pretax rate of 12.3%.

EVA for Pension Fund

Our goal for the Pension Fund is not to achieve a high EVA but rather to maximize the return on pension assets so as to cover our pension costs. Siemens Kapitalanlagegesellschaft (SKAG) administers our domestic pension fund assets and accruals as if they belonged to an external fund. Retirement benefit obligations for our employees abroad are primarily covered through external pension funds.

The Pension Fund's NOPAT calculation mainly reflects the interest cost on benefit accruals and the return on plan assets. Contributions to the pension accruals related to service costs are charged to our operating Groups, who treat the benefits earned by their employees during the fiscal year as part of their functional costs. As is typical with off-balance-sheet pension funds, we allocate no equity capital to fund activities.

Fiscal 1999 EVA performance

In fiscal 1999, we made good progress toward our EVA goal of fully earning our cost of capital in fiscal 2001 at the latest:

EVA calculation *(in millions of DM)*	1999	1998
Operations		
EBIT	5,810	3,198
Taxes and other	(2,024)	(1,045)
Net operating profit after taxes	3,786	2,153
Net capital employed	53,360	49,874
Average calculation and other	(45)	(4,812)
Average net operating assets	53,315	45,062
Capital cost	(5,017)	(4,279)
EVA for Operations	**(1,231)**	**(2,126)**
Financing and Real Estate		
Income from ordinary activities before taxes	358	413
Taxes and other	(130)	(127)
Net operating profit after taxes	228	286
Equity	3,550	3,550
Capital cost	(315)	(315)
EVA for Financing and Real Estate	**(87)**	**(29)**
Pension Fund		
Income from ordinary activities before taxes	48	(9)
Taxes	(17)	3
Net operating profit after taxes	31	(6)
EVA for Pension Fund	**31**	**(6)**
Siemens worldwide	**(1,287)**	**(2,161)**

- EVA in **Operations** improved DM895 million, to a negative DM1.231 billion, on strong positive earnings growth. Strategic acquisitions raised the amount of net capital employed in Operations, which in turn increased the cost of capital and exerted a negative effect on EVA for the year. We expect that this effect will be substantially offset by the long-term positive impact of the acquisitions on our future growth.

- EVA in **Financing and Real Estate** declined to a negative DM87 million, primarily due to lower earnings at Siemens Financial Services (SFS). In the normal course of business, we expect SFS and SIM to earn at least their capital cost like every other Siemens Group.

- Our domestic **Pension Fund** contributed DM31 million to our EVA improvement for the year.

In total we improved EVA for the year by DM874 million, to a negative DM1.287 billion. To accelerate our progress in improving EVA, we continue to benchmark all our businesses against their top competitors worldwide, while binding our management compensation directly to our EVA development.

OPERATIONS

The following summaries provide highlights of activities in our operating Groups.

Energy

Our acquisition in August 1998 of the Westinghouse fossil fuel power plant business positioned **Power Generation (KWU)** to participate in the boom in the U.S. gas turbine market in fiscal 1999. Total sales rose 46%, to DM15.5 billion, and new orders were up 15%, to DM13.7 billion. Costs associated with a new generation of gas turbine engines led to a loss of DM261 million and, as in the previous year, a negative EVA. KWU's mandate going forward is to increase quality, optimize production operations, build up its service business, and exercise its increased purchasing leverage arising from the acquisition of Westinghouse.

New products, benchmarking projects, and a consolidation of operations helped **Power Transmission and Distribution (EV)** increase its earnings 30%, to DM248 million. The Group's High Voltage Division and Metering Division contributed especially strong earnings growth. On a continuing basis, sales rose 7%. In actual terms, divestment of EV's power cable business to Pirelli S.p.A. of Milan, Italy on October 1, 1998, reduced the Group's new orders and sales for the year. This transaction and stringent asset management substantially reduced EV's net capital employed, enabling the Group to deliver a positive EVA for fiscal 1999.

Industry

Automation and Drives (A&D) turned in the best EVA of any Siemens operating Group, based in part on an increase in its EBIT to DM1.447 billion from DM1.385 billion the previous year. The Group's Industrial Automation Systems Division and Motion Control Systems Division were especially strong earnings performers. As a result of a weak global market for capital goods early in the fiscal year, sales increased modestly to DM13.8 billion.

Industrial Projects and Technical Services (ATD) continued its strong profitability, with an EBIT of DM279 million and a highly positive EVA. Figures for fiscal 1998 include Building System Division activities, which are now part of Siemens Building Technologies. On a comparable basis, ATD achieved an EBIT increase, while sales remained flat at DM8.1 billion.

Production and Logistics Systems (PL) improved its EBIT 35% to DM150 million. For the year, orders climbed 5% to DM2.8 billion, but delays in major projects reduced sales slightly to DM2.5 billion. The Group earned its cost of capital for the year.

In its first year, **Siemens Building Technologies (SBT)** achieved an EBIT of DM319 million, although a high cost of capital associated with purchased goodwill kept the Group's EVA negative. SBT successfully merged the industrial activities of Elektrowatt and the Building Systems Division it took over from ATD, while increasing sales and new orders substantially in the Americas and the Asia-Pacific region.

Information and Communications

Information and Communication Networks (ICN) led all our operating Groups with DM24 billion in sales, while earning DM1.061 billion before interest and taxes and strengthening its position in the high-growth broadband communications market. Strategic acquisitions included Redstone Communications, Inc., Argon Networks, Inc., Castle Networks, Inc., and a 20% stake in Accelerated Networks, Inc. All these activities were concentrated in Unisphere Solutions, Inc., which ICN founded and headquartered in the U.S. As part of this portfolio optimization effort, ICN sold its stake in a mobile operator; the gain from this sale was offset by a one-time charge against earnings for in-process R&D from the Unisphere-related acquisitions. A negative earnings impact resulted from a mutual decision by ICN and Telecom Italia to split up their joint venture, Italtel S.p.A., of Milan, Italy. Due to the acquisitions in the U.S. and a build-up in accounts receivable, ICN's net capital employed increased significantly in fiscal 1999, and this contributed to a negative EVA for the year.

Information and Communication Products (ICP) substantially increased its EBIT, from DM501 million in fiscal 1998 to DM956 million in fiscal 1999, with especially strong performance in mobile phones. ICP also made solid progress on major portfolio optimization initiatives. Most important was merging its computer businesses into a joint venture called Fujitsu Siemens Computers (Holding) B.V., headquartered in Amsterdam, effective October 1, 1999. After the close of the fiscal year, ICP agreed to sell its Siemens Nixdorf Retail and Banking Systems unit. Through fundamental business improvements including asset management, ICP improved its EVA substantially, to a positive value in fiscal 1999. Due primarily to high growth rates in mobile phones, ICP increased sales 8% to DM19.1 billion and new orders 10% to DM19.7 billion.

Siemens Business Services (SBS) achieved a major turnaround, from a negative EBIT of DM258 million in fiscal 1998 to a positive result in fiscal 1999. Though still negative, the Group's EVA also improved substantially. SBS strengthened its solid position among Europe's top providers of information technology solutions and services, particularly by building up its outsourcing business and SAP-based services business. Included in the Group's 14% sales growth, to DM7.1 billion, was 28% growth in services.

Transportation

Transportation Systems (VT) boosted its earnings DM624 million and improved its EVA on the strength of productivity gains and billing of major projects. VT booked major new locomotive orders in Germany, Austria and China, and the Group was named consortium leader for a high-visibility turnkey project in Malaysia for building a high-speed train link between the nation's capital, Kuala Lumpur, and its new airport. To strengthen its market position, VT sold its Schienenfahrzeugtechnik (SFT) diesel-hydraulic locomotive manufacturing activities and increased its 25% stake to a 75% controlling interest in Krauss-Maffei Verkehrstechnik GmbH, of Munich, a leader in diesel-electric and electric locomotive technologies. New orders rose 21%, to DM6.1 billion, and sales climbed 15%, to DM5.8 billion.

Automotive Systems (AT) took advantage of continued strength in the automobile industry to expand sales 15% to DM6.4 billion, with the biggest surge coming in automotive electronics for the North American market. Earnings grew 6% to DM310 million, held back by up-front investments in customized diesel injection and navigation systems; together with a reduction in net capital employed, this enabled AT to earn its capital costs.

Health Care

Medical Engineering (Med) more than doubled its EBIT to DM660 million, on a 7% increase in sales, to DM8 billion. Ongoing process optimization and productivity gains improved the Group's cost structure and enabled Med to achieve a highly positive EVA in fiscal 1999, after a negative EVA in fiscal 1998. Successful new products include innovative offerings in the fields of magnetic resonance imaging, computerized tomography, angiography, x-ray systems, and hearing instruments. The Group also improved its capabilities as a solutions provider, and is pursuing growth in services and in providing information and communication technologies for health-care applications.

Lighting

Osram increased its EBIT again in fiscal 1999, to DM680 million, and contributed a highly positive EVA, while increasing sales 9% to DM7.2 billion. Innovative products, productivity improvements, and more effective purchasing management all contributed to Osram's gains for the year. The Group's automotive lighting assembly business in the U.S. was an especially strong earnings performer. Despite market weakness in Europe, Latin America, and the Far East, Osram maintained or improved its profitability in all three regions. The Group also formed a joint venture with Infineon to enter the emerging market for semiconductor light sources.

Components

Infineon is the new name of our Semiconductors Group, which marked a major earnings turnaround by moving into the black after posting a loss of DM852 million in fiscal 1998. Infineon increased sales to DM8.3 billion. This 23% growth, coming from a combination of innovative new products, leading-edge technology, and aggressive marketing, far outpaces growth in the semiconductor industry as a whole. The surge in sales, coupled with cost-cutting programs and the closing of a chip fab in North Tyneside, England, produced the turnaround in earnings and a major improvement in EVA. To further strengthen its position as market conditions improve, Infineon formed a joint venture with IBM in France to produce customized logic devices, and fully consolidated the activities of its White Oak Semiconductor joint venture with Motorola.

In a climate of strong competition and price erosion, **Passive Components and Electron Tubes (PR)** nevertheless increased its sales, to DM2.8 billion, and posted an EBIT of DM283 million. Despite high capital costs for new manufacturing capacities in Portugal, Singapore, Malaysia and Germany, PR also achieved a positive EVA. During the year we converted most of the Group's businesses into a new company called EPCOS; shortly after the close of the fiscal year, we spun off EPCOS to investors through a listing of its shares in Frankfurt and New York.

The figures for Infineon and PR published in this annual report are based on the German Commercial Code (HGB). Going forward, Infineon and EPCOS will publish their financial statements according to U.S. GAAP standards.

On April 1, 1999, we converted **Electromechanical Components (EC)** into a separate company called Siemens Electromechanical Components GmbH & Co. KG, which we have agreed to sell to Tyco International Ltd. Restructuring and carve-out costs associated with this transaction reduced the Group's EBIT to DM17 million, compared to DM78 million in fiscal 1998. Capacity expansion and consolidation increased net capital employed, which, combined with lower earnings, resulted in a negative EVA for the year.

FINANCING AND REAL ESTATE

Siemens Financial Services (SFS) provides customer financing, leasing and rental support, advises on financial transactions, and structures project and export financing.

In addition, SFS acts as the internal treasury for the whole of Siemens. As such, it is responsible for the centralized refinancing of Siemens and its subsidiaries, for hedging our currency positions and interest rate exposure, and for minimizing our cost of financing through effective cash management. Siemens Kapitalanlagegesellschaft mbH (SKAG) manages the long-term assets that cover our pension obligations to employees in Germany.

During fiscal 1999, SFS made numerous positive contributions. The Group's earnings of DM146 million were based on improved performance in operations-related financing, compared to earnings in fiscal 1998 of DM280 million, which benefited from one-time items. With its positive earnings offset by the cost of capital, SFS earned a negative EVA. On September 30, 1999, SFS showed a balance sheet total of DM24.2 billion, weighted toward assets in equipment leasing, customer financing, and stakes in infrastructure projects. Approximately DM11.4 billion of the total assets were attributable to internal company transactions, in particular, corporate financing activities.

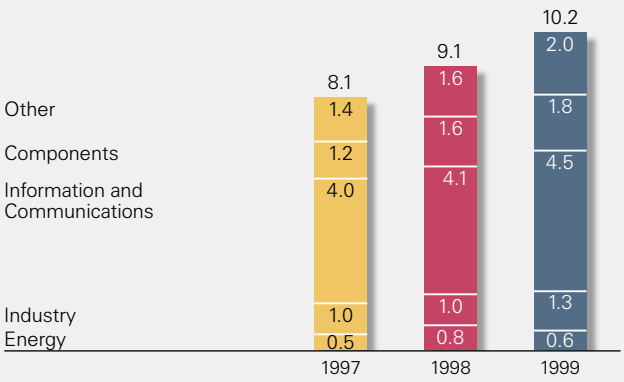
Further progress was made at **Siemens Real Estate Management (SIM)** in focusing on professional and value-oriented real estate management. Pretax income rose to DM212 million from DM 133 million in the previous year; there was also a marked improvement in negative economic value added. Leasing and services contributed DM27 million, and DM186 million was earned on the disposal of surplus real estate. Despite large investments of DM390 million in office and production buildings, SIM achieved a substantial reduction of over DM900 million in tied-up assets as part of our asset reduction program. SIM is currently responsible for real estate assets amounting to around 9 million square meters of floor space and 18 million square meters of land with a total book value of DM3.5 billion. In the first quarter of the new fiscal year, SIM will take over commercial responsibility for marketable Siemens real estate outside Germany, in particular in Western Europe and the U.S.

STATEMENT OF INCOME

Earnings before interest and taxes (EBIT) from **Operations** improved strongly in fiscal 1999, from DM3.2 billion in fiscal 1998 to DM5.8 billion. Gross margin for Operations increased 1.3%, to 28.9%. The turnaround at Infineon was a major driver in both cases, contributing an EBIT improvement of DM953 million. Transportation Systems (VT) substantially reduced its losses compared to fiscal 1998, while Information and Communication Products (ICP) and Medical Engineering (Med) both significantly increased earnings. The turnaround at Siemens Business Services (SBS) and solid earnings at new Siemens Building Technologies (SBT) also boosted EBIT and gross margin for Operations. In contrast, losses at Power Generation (KWU) had a negative effect on earnings.

Research and development expenditures in Operations rose in fiscal 1999 to DM10.2 billion, or 7.8% of sales. As in previous years, we made our largest R&D investment for a single Group at Information and Communication Networks (ICN). Major components of that investment included development of network products for a new international standard for mobile radio communications, called UMTS, and in-process R&D purchased as part of the acquisitions made by the Information & Broadband Division. R&D investment at Infineon reached DM1.6 billion, largely due to a strategic initiative to give greater priority to logic ICs. In our Industry segment, we made investments in process automation capabilities at our very successful Automation and Drives (A&D) Group, and also invested in integrating the businesses we combined to form Siemens Building Technologies

Research and development (Operations)
(in billions of DM)



(SBT), the segment's newest Group. Other significant investment targets are diesel technology and driver information systems at Automotive Systems (AT), and diagnostic imaging technologies at Medical Engineering (Med).

Marketing and selling expenses in Operations increased 8% to DM19.1 billion, while declining as a percent of sales to 14.5% in fiscal 1999. This decline is attributable to the inclusion in the prior year of large provisions for country-specific risks, primarily in Southeast Asia and Eastern Europe. General administration expenses rose to DM5.0 billion or 3.8% of sales compared to 3.0% a year earlier, in part due to the impact of the first-time consolidation of SBT and Siemens Westinghouse and the different way administrative costs are defined in these businesses. Similarly, Infineon's general administration expenses increased primarily due to application of a broader definition of these costs, in line with major competitors in the semiconductor industry. Other operating income of DM1.2 (1998: DM0.9) billion was largely offset by other operating expenses of DM1.0 (1998: DM0.5) billion, which include goodwill amortization for Elektrowatt, the Unisphere acquisitions, and Westinghouse. Total goodwill amortization in fiscal 1999 was DM0.5 (1998: DM0.2) billion.

Net income from investment in other companies increased to DM0.5 billion, including gains on the sale of investments and negative results from the Italtel joint venture with Telecom Italia, as well as the write-off of our investment in Breed Technologies, Inc., Lakeland. Income from financial assets and marketable securities in Operations increased DM0.4 billion, mainly from gains on sales of securities mandated by our asset management program. We realized a similar improvement in interest income from Operations, primarily from the difference between higher interest received from customers and lower interest paid to suppliers. The increase in other interest expense was due to higher-than-average debt service related to comparatively low net cash provided from Operations during the first three quarters of the fiscal year and a sharp increase in interest rates associated with debt servicing in emerging markets, particularly Brazil, as a result of the devaluation of the local currency during the first part of fiscal 1999.

Financing and Real Estate benefited from one-time gains on the sale of non-core properties as part of our asset management program. Income from financial assets and marketable securities declined significantly as a result of timing differences associated with hedging activities as well as provisions against equity investments in Asian power plant projects. Financing and Real Estate sales of DM2.8 (1998: DM2.4) billion came predominantly from real estate property leases at Siemens Real Estate Management (SIM) and operating leases at Siemens Financial Services (SFS). The interest position at Financing and Real Estate remained essentially flat, at DM0.6 billion.

Income from ordinary activities in the **Pension Fund** rose to DM48 million. This increase resulted from higher proceeds from pension fund assets, which more than offset one-time charges to pension accruals required by an update of actuarial assumptions in Germany.

Income from ordinary activities before income taxes for **Siemens worldwide** rose 63% to DM5.6 billion, from DM3.4 billion in fiscal 1998. The tax rate on income from ordinary activities rose to 35% in fiscal 1999, while the rate in the prior year was substantially lower due to significant effects relating to deferred tax receivables. Net income after taxes advanced 37%, to DM3.6 billion. The prior year's after-tax net income of DM2.7 billion was reduced significantly, to DM0.9 billion, by extraordinary charges, net of gains, totaling DM1.7 billion after taxes.

Although new orders rose 14% to DM136.0 billion, ten of the 14 percentage points came from portfolio-strengthening moves, highlighted by the acquisitions in fiscal 1998 of the industrial activities of Elektrowatt AG ("Elektrowatt"), of Zurich, Switzerland, reported as part of Siemens Building Technologies (SBT), and the fossil fuel power plant business of CBS Corporation (Westinghouse), of New York, U.S., included in the Power Generation (KWU) operating Group. Both these acquisitions were consolidated for the full year for the first time in fiscal 1999. Domestic orders increased 9% to DM37.7 billion, primarily from expansion of our product-related business. International orders climbed 16% to DM98.3 billion, with new acquisitions contributing substantially to this growth. On an overall basis, currency effects played no significant role in the figures for fiscal 1999 compared to the prior year.

Sales for Siemens worldwide climbed 14% to DM134.1 billion. In line with new orders, approximately nine of the 14 percentage points came from including acquisitions in our consolidated results, while currency effects again played no significant role in the figures for fiscal 1999 compared to the prior year. International operations continued to fuel growth, boosting sales 20% to DM97.6 billion. International sales benefited from consolidation of acquisitions in our figures and from project billing cycles. Non-domestic sales growth was strong in all our geographic segments: 20% growth to DM42.1 billion in Europe other than Germany, 21% growth to DM32.9 billion in the Americas, and 27% growth to DM16.2 billion in Asia-Pacific. In terms of total volume, international business represented 73% of sales, up from 69% a year earlier. Domestic sales, at DM36.5 billion, were essentially flat compared to fiscal 1998.

DIVIDEND

Siemens AG showed a net income of DM3.508 billion for fiscal 1999, compared to a net loss of DM190 million in the previous year. Net income for the current year includes an extraordinary gain of DM1.850 billion resulting from the sale of the foreign Infineon subsidiaries by Siemens AG to Siemens Nederland B.V., The Hague, Netherlands. The prior year's loss included an extraordinary expense of DM1.563 billion due to restructuring charges. The decline in sales resulted mainly from effects related to the carve-out of our Components businesses, especially Infineon and Electromechanical Components (EC), both effective April 1, 1999.

In accordance with §58 AktG, 50% of the net income for fiscal 1999 (DM1.754 billion) was transferred to retained earnings. At the Annual Shareholders' Meeting scheduled for February 24, 2000, the following proposals will be submitted for the remaining 50%:

- to make DM1.163 billion available for distribution to pay a dividend of €1 (DM1.96) per share, and to carry forward the amount attributable to treasury stock; and

- to transfer the remainder of net income including balance brought forward from the prior year (DM594 million) to other retained earnings.

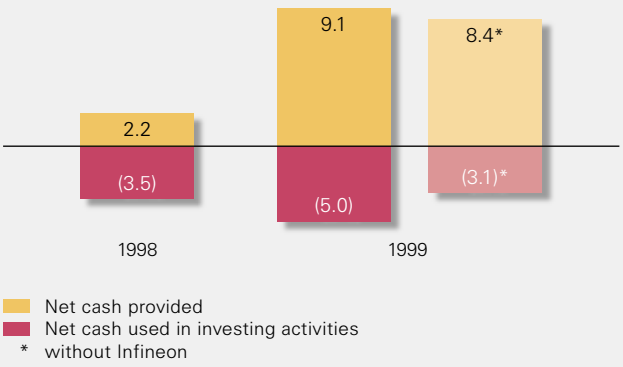
CASH FLOW STATEMENT

In fiscal 1999, we adjusted our statement of cash flows to align with international practice and comply with the standard of the German Accounting Standards Committee (GASC). Liquid assets other than cash and cash equivalents are now included in net cash used in investing activities under the line "Changes in other liquid assets." We have restated the fiscal 1998 statement of cash flows for comparison purposes.

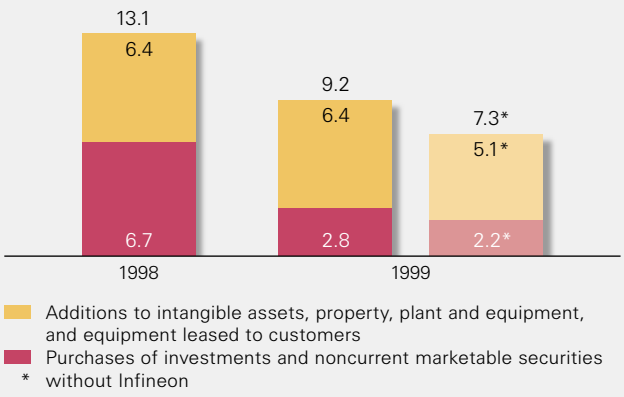
Net cash provided by **Operations** increased DM6.9 billion to DM9.1 (1998: DM2.2) billion, while the net cash used in investing activities in Operations increased to DM5.0 (1998: DM3.5) billion. Excluding Infineon, the net cash provided and the net cash used in investing activities by Operations amount to DM8.4 billion and DM3.1 billion, respectively.

Success in our enterprise-wide asset management program was the main factor in improving net cash provided. The increase in advances received from customers and liabilities more than offset the slight increase in inventories and the more substantial increase in accounts receivable. This resulted in an overall improvement of DM6.4 billion from working capital compared to fiscal 1998.

Net cash provided/net cash used (Operations)
(in billions of DM)



Capital spending (Operations)
(in billions of DM)



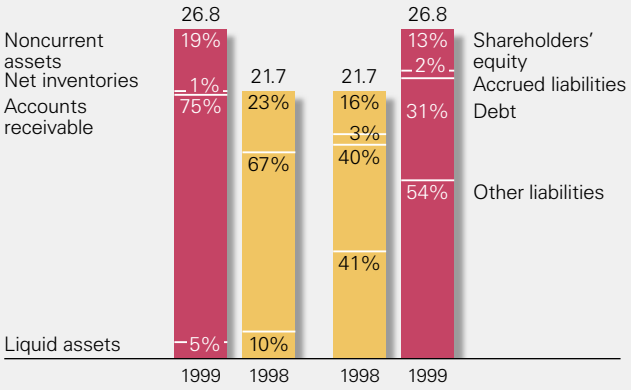
Additions to intangible assets, property, plant and equipment, and equipment leased to customers for Operations remained at the same level as in fiscal 1998, DM6.4 billion, with Infineon alone accounting for DM1.3 billion. Long-term investments decreased substantially, however, to DM2.8. By comparison, long-term investments in fiscal 1998 included our acquisitions of Elektrowatt and Westinghouse. Sales of non-current assets declined DM3.4 billion compared to fiscal 1998, a year that included large divestments such as the sale of our 40% interest in GPT Holdings Ltd. (GPT), shedding of our dental systems business, and divestment of our defense electronics business. In fiscal 1999, we announced a number of major portfolio optimization activities, but the proceeds from these activities will not be realized until fiscal 2000.

Net cash provided by **Financing and Real Estate** decreased to DM0.3 (1998: DM1.1) billion, partly due to the increase in accounts receivable in Siemens Real Estate (SIM). Net cash used in investing activities increased markedly, from DM1.4 billion in fiscal 1998 to DM2.8 billion in fiscal 1999, as SFS increased its financing receivables, built up its portfolio of equipment leased to customers, and continued to assume customer financing activities totaling DM1.6 billion previously under the responsibility of the operating Groups. The customer financing functions that SFS performs for Operations and external customers typically result in cash consumption, which drives net cash used in investing activities. Capital expenditures remained nearly on the same level for Financing and Real Estate activities, increasing only DM0.1 billion.

Earnings associated with our **Pension Fund** were impacted by the full recognition of a provision for the adoption of new mortality tables, which had no cash impact, resulting in a significant year-over-year increase in net cash provided. Investments in domestic pension assets increased from DM0.8 billion to DM1.3 billion, resulting in higher net cash used in investing activities. The net effect is a DM0.5 billion cash surplus.

The increase in net cash provided in fiscal 1999 was used for the repayment of debts in the amount of DM2.0 billion and as a result, cash and cash equivalents totaled DM3.9 billion for **Siemens worldwide**. As part of our move toward centralized corporate financing, Operations reduced debt more than DM1.6 billion as a result of its excess of net cash provided and net cash used.

Balance sheet structure (Financing and Real Estate)
(in billions of DM)



BALANCE SHEET

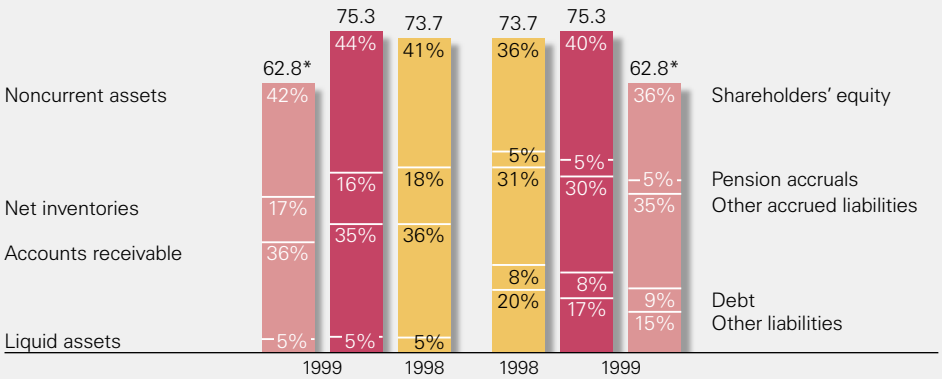
Total assets in **Operations** increased DM1.6 billion compared to fiscal 1998, to DM75.3 billion. Non-current assets were up DM3.0 billion in Operations, in part due to goodwill acquired by Information and Communication Networks (ICN) and other Groups. As a result, the ratio of noncurrent assets to total assets rose to 44%, from 41% a year earlier. Despite an increase of DM1.3 billion in inventory levels, net inventories (inventories minus advances received from customers) decreased DM1.6 billion. This change was due primarily to higher advances received, mainly by the Power Generation Group (KWU), which more than offset the increase in inventories.

Both other accrued liabilities and pension plans and similar commitments remained flat. As a result, accrued liabilities decreased from 36% to 35% of total assets.

Debt was essentially flat compared to fiscal 1998. The debt-equity ratio improved slightly to 0.20 to 1, compared to 0.21 to 1 a year earlier. Equity as a percent of total assets within Operations rose to 40% at the end of fiscal 1999, up from 36% a year earlier. Excluding Infineon, equity still amounted to 36% of total assets, or a debt-equity ratio of 0.25 to 1; these figures reflect the excessive current equity levels within Operations.

Total assets of **Financing and Real Estate** increased DM5.1 billion, primarily driven by an increase of DM5.6 billion in financing receivables and miscellaneous assets. The increase in financing receivables reflects several factors: business growth, the concentration within SFS of financing activities that were previously included in Operations, and changes in customer financing requirements for products and services. The increase in other liabilities reflects the shift of financing activities from Operations to Financing and Real Estate.

Balance sheet structure (Operations)
(in billions of DM)



* without Infineon

Siemens has substantial financial resources that enable us to meet both short-term and long-term financial obligations. We can quickly generate cash by issuing debt in international financial markets in order to finance operations, investments and business expansions. We typically maintain a flexible range of funding options and high-volume backup facilities. For example, we have implemented €1.5 billion and US$1.6 billion commercial paper programs as well as a €3.5 billion medium-term note program. First-class financial institutions have put two additional committed backup facilities at our disposal: a US$2.0 billion facility and a €1.0 billion facility. At the close of fiscal 1999, the amount outstanding under the commercial paper and note programs totaled DM375 million. We did not utilize the backup facilities.

International rating agencies Standard & Poor's and Moody's Investors Service rate our long-term debt AA and Aa3, respectively. Their ratings for our short-term debt are A-1 and P1, respectively.

The book value of pension assets in our domestic **Pension Fund** increased DM1.2 billion in fiscal 1999, driven by additional investments in the Pension Fund. The market value of the Pension Fund assets increased DM1.0 billion to 21.4 billion. Pension accruals were up DM1.8 billion in fiscal 1999, to a total of DM18.2 billion. Of this, DM1.1 billion resulted from the full adoption of new actuarial tables related to mortality expectations in Germany.

Shareholders' equity for **Siemens worldwide** was DM33.6 billion, up from DM30.3 billion a year earlier. Compared to fiscal 1998, transfers from net income to retained earnings increased and the negative amount of translation adjustment was reduced DM0.8 billion, mainly as a result of the relatively weak euro.

At the Annual Shareholders' Meeting of Siemens AG on February 18, 1999, shareholders approved the redenomination on a one-for-one basis of Siemens' par-value stock in bearer form to no-par value stock in registered form (registered shares without nominal value). Shareholders also approved the elimination of multiple voting rights, and the complete elimination of preferred stock through conversion of preferred shares into registered shares. We subsequently enacted all these resolutions, and, in parallel, legally converted our capital stock from German marks to euros, effective on the first day of fiscal 2000. Our no-par value registered stock has been listed on all German stock exchanges since August 16, 1999. Foreign stock exchanges that list our shares have made or are making corresponding changes in their stock quotations. The conversion to registered shares is an important step toward the listing of our shares in the U.S., which we expect to take place in early 2001.

Also at the Annual Shareholders' Meeting, shareholders authorized Siemens to establish a share repurchase program as part of our Ten-Point Program. Potential uses of repurchased shares include listing Siemens shares on foreign stock exchanges where they are not yet traded, using Siemens shares as acquisition currency and offering shares to our employees under the stock option plan approved at the Annual Shareholders' Meeting in fiscal 1999. We also retain the right to retire repurchased shares. The stock repurchase authorization is legally limited to 10% of Siemens capital stock, or currently to DM297,390,070. At the time this Annual Report was published, we had not used the stock repurchase authorization.

RISK MANAGEMENT

As an international participant in many sectors of the world's electrical engineering and electronics markets, Siemens is exposed to a number of risks that arise in the ordinary course of its business, including currency risks, interest rate risks, and changes in the financial markets. Our risk management policy is to exploit as fully as possible the many opportunities available in our global markets, while taking on only those risks that are necessarily associated with creating added economic value. This policy is governed by the Managing Board and executed by Siemens management in line with our organizational and accountability structure. Each operating unit or business entity is accountable for managing the risks associated with its regional or worldwide business. In addition, staff departments help to control risk through the exercise of their policy, coordination and management authority. Our internal auditors regularly review the adequacy and efficiency of our risk management and control systems.

To measure, monitor and manage our exposure to risk, we use a variety of management and control systems which are continually being refined. An enterprise-wide strategy, planning and budgeting process specifically addresses operating risks resulting from changes in the business environment. This process is supported with analysis of our markets and competitors, and with regular benchmarking. Where appropriate, risk-specific methods and models to identify the risk profiles of particular activities are applied. We then continually monitor the risk targets and risk control measures we adopt as a result of the strategy, planning and budgeting process.

In fiscal 1999, we devoted considerable resources to educating our employees about the importance of risk management. We requested special risk reports from our operating units as part of the strategy, planning and budgeting process, and we held a large number of workshops and management seminars to increase risk awareness and risk transparency. We also gave special attention to two topics affecting risk throughout our business: the Year 2000 transition and the introduction of the euro.

Year 2000 transition

Well before fiscal 1999, we began carrying out comprehensive measures and projects across our operations to achieve Year 2000 readiness – according to the British Standards Institute (BSI) DISC PD 2000-1 standard – for all of our products, systems, plants, services, and internal processes. Fine-tuning and final contingency planning are on schedule in our operating Groups, regional units and corporate departments. Moreover, we are working closely with our business partners around the world to coordinate Year 2000 readiness throughout our business and supply chains. Given the nature and breadth of our business, this effort involves a large number of partners, not all of whom are willing or able to dedicate the same amount of time and energy to this issue that we are. As a result, we have further tightened our ties to key customers and suppliers for Year 2000 readiness, such as by making additional service personnel available during the transition period.

We believe that the many measures and projects we have undertaken will help ensure the continuity of our business processes and the functional viability of our products, systems, plants and services throughout the Year 2000 transition period. The current status of Year 2000 readiness for our regional and operating Groups is reported on our Web site at www.siemens.com or www.siemens.de. This information may also be requested from Siemens.

Introduction of the euro

From January 1, 1999, when the European Monetary Union officially introduced the euro within its member states, Siemens was able to conduct transactions with business partners on a euro basis. Beginning on October 1, 1999 – the beginning of our first fiscal year after the introduction of a single European currency – we adopted the euro as our company-wide currency. In fiscal 1999, we adjusted all relevant business processes and computer systems to prepare for this successful transition.

OUTLOOK

Siemens entered fiscal 2000 with a significantly different business structure, as a result of four major spin-offs (through a completed sale, sales agreement, public offering, or planned public listing) and the launch of two joint ventures. The spin-offs, which include EPCOS, EC, Siemens Nixdorf Retail and Banking Systems, and Vacuumschmelze, will no longer be consolidated as subsidiaries in our financial results. The joint ventures, which include the Fujitsu Siemens and pending Voith partnerships, will be treated as equity investments. As a result of these transactions, EPCOS, EC, Siemens Nixdorf Retail and Banking Systems, and Vacuumschmelze will administer their financial affairs independently of Siemens and without our implicit or explicit support. As a result of its planned floatation, the same applies to Infineon, although it is included as a consolidated company. The effect of these changes on Operations is shown in the following chart.

Effect of divestments and joint ventures (Operations)

	1999 *(in billions of DM)*		1999 without divestments and joint ventures* *(in billions of DM)*
Net sales	131.3	Net sales	119.1
EBIT	5.8	EBIT	5.2
Net capital employed	53.4	Net capital employed	49.4

* Divestments include EPCOS, EC, Siemens Nixdorf (ICP) and Vacuumschmelze (formerly part of PR). Joint ventures are Fujitsu Siemens (ICP) and hydroelectric power business (KWU). In fiscal 2000, the joint ventures will be accounted for using the equity method, while our remaining stake in EPCOS will be accounted for using the cost method. However, these future accounting effects have not been considered here. Infineon is included as a consolidated company. EBIT and Net capital employed do not include potential proceeds from divestments and the formation of joint ventures.

Looking ahead, we anticipate stable economic and business conditions in the world's major regional economies, and expect that sales and new orders on a comparable basis will achieve single-digit growth rates. With our strengthened business portfolio, we expect growth in net income to again be well above growth in sales. These projections do not reflect anticipated gains from proceeds from our divestment program. In addition, it is always possible that actual performance may not meet our expectations for the future due to unanticipated developments in global financial markets.

This Annual Report contains statements relating to the future that are based on the beliefs of Siemens' management. We use the words "anticipate," "believe," "estimate," "expect," "intend," "plan" and "project" to identify such future-oriented statements. These statements reflect our current views with respect to future events and are subject to risks and uncertainties. Many factors could cause the actual results to be materially different. These factors include, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products, lack of acceptance of new products or services, and changes in business strategy. Actual results may vary materially from those projected here. Siemens does not intend or assume any obligation to update these forward-looking statements.

The foregoing management's discussion and analysis covers both Siemens AG and Siemens worldwide consolidated.

STATEMENT OF INCOME

Years ended September 30 *(in millions of DM)*

		Siemens worldwide	
	Note	1999	1998
Net sales	**1**	**134,134**	**117,696**
Cost of sales		(96,014)	(85,780)
Gross profit on sales		**38,120**	**31,916**
Research and development expenses	**2**	(10,240)	(9,122)
Marketing and selling expenses		(19,120)	(17,672)
General administration expenses		(5,185)	(3,616)
Other operating income	**3**	1,618	951
Other operating expenses	**3**	(2,570)	(883)
Net income from investment in other companies	**4**	544	474
Net income from financial assets and marketable securities	**5**	1,807	1,451
Net interest income (expense) from Operations/Pension Fund	**6**	679	(451)
EBIT from Operations			
Other interest (expense) income	**6**	(40)	390
Income from ordinary activities before income taxes		**5,613**	**3,438**
Taxes on income from ordinary activities	**7**	(1,965)	(780)
Income before extraordinary items		**3,648**	**2,658**
Extraordinary items after taxes			(1,741)
Net income		**3,648**	**917**

Appropriation of net income	1999	1998
Net income	3,648	917
Minority interest in net income of consolidated subsidiaries	(514)	(312)
Minority interest in net loss of consolidated subsidiaries	24	55
Balance brought forward from prior year	3	
Transfers to retained earnings	(1,404)	
Transfers from retained earnings		232
Unappropriated consolidated net income (dividend of Siemens AG)	**1,757**	**892**

(1) Based on the effective corporate tax rate applied to income from ordinary activities

Operations			Financing and Real Estate		Pension Fund	
1999	of which: Infineon	1998	1999	1998	1999	1998
131,327	**8,261**	**115,266**	**2,807**	**2,430**		
(93,405)	(5,579)	(83,406)	(2,609)	(2,374)		
37,922	**2,682**	**31,860**	**198**	**56**		
(10,240)	(1,582)	(9,122)				
(19,079)	(719)	(17,660)	(41)	(12)		
(4,997)	(465)	(3,484)	(188)	(132)		
1,193	189	873	425	78		
(1,035)	(70)	(526)	(160)	(137)	(1,375)	(220)
544	63	471		3		
1,266		912	(439)	3	980	536
236	3	(126)			443	(325)
5,810	**101**	**3,198**				
(603)	(79)	(164)	563	554		
5,207	**22**	**3,034**	**358**	**413**	**48**	**(9)**
(1,823)[1]	(91)	(688)[1]	(125)[1]	(94)[1]	(17)[1]	2[1]
3,384	**(69)**	**2,346**	**233**	**319**	**31**	**(7)**

BALANCE SHEET

September 30 *(in millions of DM)*

		Siemens worldwide	
Assets	Note	1999	1998
Intangible assets	**9**	6,861	5,418
Property, plant and equipment	**9**	26,798	24,794
Investments	**10**	22,469	21,777
Noncurrent assets		**56,128**	**51,989**
Inventories	**11**	34,265	32,695
Less advances received from customers		(21,996)	(19,110)
		12,269	**13,585**
Accounts receivable and miscellaneous assets	**12**	46,757	40,574
Liquid assets	**13**	4,794	5,615
Current assets		**63,820**	**59,774**
Prepaid expenses		**325**	**261**
Total assets		**120,273**	**112,024**

Shareholders' equity and liabilities	Note	1999	1998
Shareholders' equity	**14**	**33,640**	**30,292**
Pension plans and similar commitments	**15**	21,728	19,801
Other accrued liabilities	**16**	23,330	23,550
Accrued liabilities		**45,058**	**43,351**
Debt	**17**	**14,203**	**14,484**
Other liabilities	**18**	**26,055**	**22,743**
Deferred income		**1,317**	**1,154**
Total shareholders' equity and liabilities		**120,273**	**112,024**

Reconciliation to net capital employed* *(in millions of DM)*
Total assets
Accounts payable to third parties[2]
Foreign pension accruals
Deferred income
Deferred tax assets
Reversal of deduction of intersegment accounts receivable[1]
Effect of changes in organizational structure
Total reconciliation
Net capital employed

* Cf. Segment information on page 70, "Reconciliation to financial statements"

Operations			Financing and Real Estate		Pension Fund	
1999	of which: Infineon	1998	1999	1998	1999	1998
6,859	129	5,418	2			
22,009	5,840	19,989	4,789	4,805		
4,386	1,116	4,877	251	286	17,832	16,614
33,254	**7,085**	**30,284**	**5,042**	**5,091**	**17,832**	**16,614**
33,880	1,368	32,593	385	102		
(21,994)		(19,110)	(2)			
11,886	**1,368**	**13,483**	**383**	**102**		
26,450[1]	3,980	26,262	19,913	14,312	394	
3,452	86	3,411	1,342	2,204		
41,788	**5,434**	**43,156**	**21,638**	**16,618**	**394**	
240	**11**	**257**	**85**	**4**		
75,282	**12,530**	**73,697**	**26,765**	**21,713**	**18,226**	**16,614**

1999		1998	1999	1998	1999	1998
30,090	**7,266**	**26,742**	**3,550**	**3,550**		
3,489	263	3,390	13	5	18,226	16,406
22,834	1,225	22,959	496	591		
26,323	**1,488**	**26,349**	**509**	**596**	**18,226**	**16,406**
5,895	**262**	**5,707**	**8,308**	**8,777**		
11,816[2]	**3,491**	**13,747**	**14,239**	**8,788**		**208**
1,158	**23**	**1,152**	**159**	**2**		
75,282	**12,530**	**73,697**	**26,765**	**21,713**	**18,226**	**16,614**

75,282		**73,697**
(24,109)		(20,883)
(3,489)		(3,390)
(1,158)		(1,152)
(2,513)		(2,049)
9,347		3,820
		(169)
(21,922)		**(23,823)**
53,360		**49,874**

[1] Due to the three-way structure of presentation, the corresponding Financing and Real Estate balance sheet caption includes DM9,347 (1998: DM3,820) million in intersegment accounts receivable, which is deducted from accounts receivable from third parties of DM35,797 (1998: DM30,082) million under Operations. Since accounts receivable from third parties fully affect net capital employed independent of their presentation, the above adjustment is reversed in the reconciliation statement.

[2] Due to the three-way structure of presentation, the corresponding Financing and Real Estate balance sheet caption includes DM12,293 (1998: DM7,136) million in intersegment accounts payable, which is deducted from accounts payable to third parties of DM24,109 (1998: DM20,883) million under Operations. Since net capital employed is determined independently of the way accounts payable are presented, total assets are reduced by the full amount of accounts payable to third parties.

STATEMENT OF CASH FLOWS

Years ended September 30 *(in millions of DM)*

		Siemens worldwide	
	Note	1999	1998
Income after taxes before extraordinary items		3,648	2,658
Extraordinary restructuring charges			(3,327)
Depreciation and amortization		6,721	7,588
Increase (decrease) in accrued liabilities		1,160	2,983
Gain on disposal of noncurrent assets		(665)	(342)
Gain on sale of current marketable securities		(1,155)	(958)
Equity in loss of companies consolidated under the equity method, net of distributions		216	31
Other noncash charges		5	36
Change in current assets and other liabilities			
Increase in inventories		(449)	(573)
Increase (decrease) in advances received from customers		2,283	(2,431)
(Increase) decrease in accounts receivable		(3,275)	(3,644)
Increase in liabilities		2,685	1,886
Net cash provided	**19**	**11,174**	**3,907**
Additions to intangible assets, property, plant and equipment, and equipment leased to customers		(7,463)	(7,263)
Purchases of investments and noncurrent marketable securities		(4,126)	(7,597)
Increase in accounts receivable from financing activities		(2,903)	(585)
Proceeds from disposal of noncurrent assets		3,913	6,181
Change in other liquid assets		1,528	3,529
Net cash used in investing activities		**(9,051)**	**(5,735)**
Proceeds from issuance of stock			1,725
Proceeds from issuance of debt		328	3,274
Repayment of debt		(396)	(18)
Other changes in debt		(2,018)	810
Other financing activities			(850)
Prior year's dividend paid		(889)	(857)
Dividend paid to minority shareholders		(309)	(191)
Effect of changes in number of consolidated companies on cash and cash equivalents		643	(56)
Net intersegment financing activities			
Net cash (used in) provided by financing activities		**(2,641)**	**3,837**
Effect of exchange rate and other changes on cash and cash equivalents		93	(197)
Net (decrease) increase in cash and cash equivalents		**(425)**	**1,812**
Cash and cash equivalents at end of year		**3,855**	**4,280**
Other liquid assets at end of year		939	1,335
Liquid assets as stated on balance sheet at end of year		**4,794**	**5,615**

Operations			Financing and Real Estate		Pension Fund	
1999	of which: Infineon	1998	1999	1998	1999	1998
3,384	(69)	2,346	233	319	31	(7)
		(3,327)				
6,110	1,126	7,131	611	457		
(537)	202	2,099	(106)	249	1,803	635
(441)		(274)	(224)	(68)		
(1,155)		(958)				
216		31				
5		36				
(349)	(71)	(544)	(100)	(29)		
2,281	(2)	(2,431)	2			
(2,765)	(752)	(3,557)	(459)	(130)	(51)	43
2,319	228	1,617	366	269		
9,068	**662**	**2,169**	**323**	**1,067**	**1,783**	**671**
(6,400)	(1,272)	(6,351)	(1,063)	(912)		
(2,785)	(634)	(6,746)	(23)	(41)	(1,318)	(810)
			(2,903)	(585)		
2,616	3	6,029	1,297	152		
1,591		3,529	(63)			
(4,978)	**(1,903)**	**(3,539)**	**(2,755)**	**(1,386)**	**(1,318)**	**(810)**
		1,725				
			328	3,274		
			(396)	(18)		
(1,617)		(120)	(401)	930		
		(850)				
(889)		(857)				
(309)		(191)				
203		(56)	440			
(1,023)		4,927	1,488	(5,066)	(465)	139
(3,635)		**4,578**	**1,459**	**(880)**	**(465)**	**139**
62		(144)	31	(53)		
517		**3,064**	**(942)**	**(1,252)**		
2,593		**2,076**	**1,262**	**2,204**		
859		1,335	80			
3,452		**3,411**	**1,342**	**2,204**		

SEGMENT INFORMATION

Years ended September 30 *(in millions of DM)*

	New orders		External sales		Intersegment sales	
	1999	1998	1999	1998	1999	1998
Operations						
Power Generation (KWU)	13,723	11,945	15,437	10,566	74	83
Power Transmission and Distribution (EV)	5,731	7,291	5,973	6,439	385	510
Automation and Drives (A&D)	14,020	13,841	11,567	11,368	2,253	2,378
Industrial Projects and Technical Services (ATD)	8,104	9,582	5,943	7,923	2,111	2,405
Production and Logistics Systems (PL)	2,816	2,693	2,136	2,239	375	334
Siemens Building Technologies (SBT)[3]	8,620		7,618		716	
Information and Communication Networks (ICN)	24,015	22,467	23,422	23,405	607	453
Information and Communication Products (ICP)	19,660	17,873	16,677	15,179	2,468	2,582
Siemens Business Services (SBS)	7,287	6,730	4,273	3,852	2,782	2,355
Transportation Systems (VT)	6,122	5,053	5,794	5,029	14	17
Automotive Systems (AT)	6,389	5,568	6,380	5,560	9	8
Medical Engineering (Med)	8,146	7,994	7,887	7,414	93	58
Osram	7,158	6,558	6,799	6,530	359	28
Infineon (HL)[4]	9,528	7,165	6,986	5,636	1,275	1,058
Passive Components and Electron Tubes (PR)	3,292	2,734	2,474	2,230	314	353
Electromechanical Components (EC)	1,849	1,683	1,384	1,325	235	215
Eliminations and other[6]	(10,458)	(9,576)	2,823	2,643	(16,316)	(14,909)
Total	**136,002**	**119,601**	**133,573**	**117,338**		
Reconciliation to financial statements[7]						
Earnings before taxes[8], total assets						
Financing and Real Estate						
Siemens Financial Services (SFS)			292	158	250	104
Siemens Real Estate Management (SIM)			269	200	1,996	1,968
Total			**561**	**358**	**2,246**	**2,072**
Pension Fund						

	New orders		External sales	
Siemens worldwide	**136,002**	**119,601**	**134,134**	**117,696**

(1) Intangible assets, property, plant and equipment, investments, pension assets.
(2) Includes amortization of intangible assets, depreciation of property, plant and equipment, and write-downs of investments.
(3) Due to the short time of affiliation with Siemens, only the assets and liabilities of SBT were included in the consolidated financial statements at September 30, 1998.
(4) Comprising substantially all of the former HL activities.
(5) Including DM324 million in additions to pension assets.
(6) "Other" primarily refers to centrally managed equity investments (such as BSH Bosch und Siemens Hausgeräte GmbH, Munich), liquid assets of Operations, corporate items relating to Regional Companies, and corporate headquarters.

Total sales		EBIT		Net capital employed		Capital spending[1]		Amortization, depreciation and write-downs[2]	
1999	1998	1999	1998	9/30/99	9/30/98	1999	1998	1999	1998
15,511	10,649	(261)	(196)	3,201	3,928	268	2,217	444	433
6,358	6,949	248	191	1,164	1,768	115	368	163	183
13,820	13,746	1,447	1,385	4,257	4,144	504	446	392	405
8,054	10,328	279	289	742	695	96	234	96	105
2,511	2,573	150	111	1,028	1,027	51	50	111	113
8,334		319		4,548	4,421	358	3,048	299	
24,029	23,858	1,061	1,143	9,482	7,259	2,609	1,398	869	739
19,145	17,761	956	501	5,142	5,574	566	582	368	508
7,055	6,207	8	(258)	1,109	1,305	629	457	352	300
5,808	5,046	(122)	(746)	(265)	102	154	158	137	99
6,389	5,568	310	293	1,715	2,068	468	571	270	276
7,980	7,472	660	283	2,230	2,319	170	136	168	163
7,158	6,558	680	643	4,216	3,904	475	476	440	375
8,261	6,694	101	(852)	9,053	6,269	1,906[5]	1,907	1,126	1,136
2,788	2,583	283	327	1,625	1,401	372	395	226	185
1,619	1,540	17	78	959	835	128	195	136	131
(13,493)	(12,266)	(326)	6	3,154	2,855	640	695	513	350
131,327	**115,266**	**5,810**	**3,198**	**53,360**	**49,874**	**9,185**	**13,333**	**6,110**	**5,501**
		(603)	(164)	21,922	23,823				
		5,207	**3,034**	**75,282**	**73,697**				

		Earnings before taxes (EBT)[8]		Total assets					
542	262	146	280	24,151	19,224	696	652	338	153
2,265	2,168	212	133	4,449	4,770	390	301	273	304
2,807	**2,430**	**358**	**413**	**26,765**[9]	**21,713**[9]	**1,086**	**953**	**611**	**457**
		48	**(9)**	**18,226**	**16,614**	**1,318**	**810**		

Total sales		Earnings before taxes (EBT)[8]		Total assets		Capital spending[1]		Amortization, depreciation and write-downs[2]	
134,134	**117,696**	**5,613**	**3,438**	**120,273**	**112,024**	**11,589**	**15,096**	**6,721**	**5,958**[10]

[7] This item primarily reflects the difference between EBIT and EBT (which additionally includes consolidated net interest expense on debt outside SFS and SIM) as well as the difference between net capital employed and total assets (see reconciliation on page 66).
[8] Income from ordinary activities before income taxes.
[9] Total reduced by intersegment financing of SIM by SFS.
[10] Excludes nonscheduled depreciation of property, plant and equipment and exceptional amortization of goodwill.

CHANGES IN SHAREHOLDERS' EQUITY

Years ended September 30 *(in millions of DM)*

		Total	Stock issued	Appro-priation of net income*	Translation adjustment	Other changes	
	1999		Movements in fiscal year 1999				1998
Capital stock	**2,974**						2,974
Additional paid-in capital	**10,963**						10,963
Retained earnings	**16,371**	1,444		1,404		40	14,927
Unappropriated consolidated net income	**1,757**	865		1,757		(892)	892
Minority interest	**1,899**	190		490		(300)	1,709
Cumulative translation adjustment	**(324)**	849			820	29	(1,173)
Total	**33,640**	3,348		3,651	820	(1,123)	30,292

	1998		Movements in fiscal year 1998				1997
Capital stock	2,974	118	118				2,856
of which: Common shares	2,928	118	118				2,810
Preferred shares	46						46
Additional paid-in capital	10,963	1,608	1,608				9,355
Retained earnings	14,927	1,162		(232)		1,394	13,765
Unappropriated consolidated net income	892	35		892		(857)	857
Minority interest	1,709	(14)		257		(271)	1,723
Cumulative translation adjustment	(1,173)	(1,024)			(1,024)		(149)
Total	30,292	1,885	1,726	917	(1,024)	266	28,407

* including balance brought forward from prior year

NOTES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

As in prior years, the consolidated financial statements have been prepared in accordance with the German Commercial Code (HGB) and the German Corporation Act (AktG), using the German mark (DM) as the functional currency. With regard to presentation and consolidation options, international rules have been followed whenever this is permitted under the German Commercial Code. Moreover, additional information is presented in the notes to consolidated financial statements ("Notes") in accordance with prevailing international practice. The statement of income, the balance sheet and the statement of cash flows included in the consolidated financial statements are subdivided into three segments: Operations, Financing and Real Estate, and Pension Fund. The accounting and valuation principles applied to these segments are the same as those used for Siemens worldwide. As a rule, the information disclosed in the Notes relates to Siemens' worldwide consolidated figures. In a few exceptions, individual financial statement items include a reference to the Operations, Financing and Real Estate, and Pension Fund segments presented separately in the consolidated financial statements.

Companies included in consolidation

The worldwide consolidated financial statements include the accounts of Siemens AG ("the Company") and all subsidiaries which are directly or indirectly controlled (collectively referred to as "Siemens"). Subsidiaries that are not significant in terms of external sales, earnings and total assets are not included in the consolidated financial statements on the basis of immateriality. In addition, retirement benefit corporations and housing companies whose assets Siemens is not permitted to use because they are assigned for a specific purpose, as well as those companies whose shares were acquired exclusively as temporary financial investments, are not included in the consolidated financial statements.

Results of associated companies – companies in which Siemens, directly or indirectly, has 20% to 50% of the voting rights and the ability to exercise significant influence over operating and financial policies – are generally recorded in the consolidated financial statements using the equity method of accounting. An ownership interest in associated companies that is not material in terms of carrying amount and projected medium-term results is carried at cost in miscellaneous investments.

In addition to Siemens AG, the consolidated financial statements at September 30, 1999 include the accounts of 177 (1998: 104) subsidiaries in Germany and 565 (1998: 554) subsidiaries in foreign countries. Companies that are either inactive or have a low business volume are not included in the consolidated financial statements because their effect was not significant. Full consolidation of these companies would have increased consolidated sales by approximately 1%.

Compared to September 30, 1998, a total of 87 domestic subsidiaries and 94 foreign subsidiaries have been consolidated for the first time, while 14 domestic companies and 83 foreign companies are no longer included in the consolidated financial statements. Fifty of these companies were merged with and into Siemens AG and other consolidated companies.

Major changes in consolidation resulted from the following events:

While only the balance sheet accounts of Siemens Building Technologies AG, Zurich, had been consolidated in the financial statements at September 30, 1998, the company is now also fully included in the 1999 consolidated statements of income and cash flows.

Argon Networks, Inc., Wilmington, Castle Networks, Inc., Wilmington, and Redstone Communications, Inc., Wilmington, all acquired in the spring of 1999, were concentrated in a new holding company, called Unisphere Solutions, Inc., Wilmington, that has been included in the consolidated financial statements as of the second half of fiscal year 1999. DM388 million of the difference resulting from consolidation associated with purchased in-process technology included in the purchase price was expensed as research and development cost, while the remaining difference of DM1,258 million was capitalized as goodwill and is being amortized on a straight-line basis over seven years.

On July 16, 1998, the Company entered into a master agreement with Pirelli S.p.A., Milan, to sell its power cable business. The sale was completed in fiscal year 1999.

Due to the changes in the number of consolidated companies, net sales increased DM11.0 billion, while the effect on total assets was insignificant. Net income was reduced by DM435 million, primarily as a result of losses incurred by and costs associated with the acquisition of the Unisphere companies. These charges were partially offset by profits recorded by other companies, primarily by Siemens Building Technologies AG, Zurich.

Investments in 33 (1998: 33) associated companies and in five (1998: seven) subsidiaries have been accounted for under the equity method.

The principal subsidiaries and associated companies are listed on pages 93 through 95. A complete list of Siemens' holdings is being filed with the Commercial Registries of the Berlin-Charlottenburg and Munich District Courts.

Principles of consolidation

The annual financial statements of the companies included in the consolidated financial statements are prepared according to uniform principles of accounting and valuation. For this purpose, the separate financial statements prepared in accordance with local or international regulations have been restated to conform to the uniform principles of accounting and valuation of the Siemens organization, whenever such regulations deviate from the provisions of the German Commercial Code and the valuation differences are material. Interim statements are used for consolidated subsidiaries whose fiscal year differs from that of Siemens AG. Valuations in the annual statements of associated companies accounted for under the equity method that deviate from these uniform principles have not been adjusted on the basis of immateriality.

In consolidating the investment in subsidiaries, the purchase price is offset against the value of the interest held in the shareholders' equity of the consolidated subsidiaries at the time of acquisition. Any remaining excess of cost over net assets acquired is capitalized as goodwill in intangible assets and amortized over the estimated useful life.

The same principles are applied in consolidating companies using the equity method. Any resulting goodwill is reflected in the purchase price of the investment in the associated companies and amortized by appropriate charges to the equity in earnings resulting from consolidation.

The effects of intercompany transactions between consolidated companies are eliminated in consolidation.

Foreign currency translation

The financial statements of the Company's foreign subsidiaries whose functional currency is the local currency are translated using the current rate method under which assets, accruals and liabilities are translated at year-end exchange rates, while revenues, expenses and net income are translated at average rates of exchange for the year. Equity accounts are translated at historical rates that were in effect in the year of addition. Gains or losses resulting from differences between historical and year-end exchange rates are recorded as translation adjustments in a separate component of shareholders' equity and accordingly have no effect on net income.

Noncurrent assets and nonmonetary assets and liabilities as well as revenues and expenses of foreign subsidiaries in countries treated as highly inflationary are restated at their current value or replacement cost and translated at year-end exchange rates.

Due to the weakness of the German mark relative to the British pound, the U.S. dollar and several Asian currencies, total assets increased DM2.7 billion upon translation of foreign currency accounts. As a result, the negative translation adjustment in shareholders' equity was substantially reduced. Net sales decreased DM1.5 billion, due to the opposite impact of annual average exchange rates on the related statement of income accounts.

The fluctuations in exchange rates of major currencies reflected in the consolidated financial statements follow:

Currency	ISO code	Year-end exchange rate* (DM)		Annual average rate (DM)	
		9/30/99	9/30/98	1999	1998
100 Austrian schillings	ATS	14.21	14.21	14.21	14.21
100 Belgian francs	BEF	4.85	4.85	4.85	4.85
100 Swiss francs	CHF	122.49	120.84	122.19	121.60
100 French francs	FRF	29.82	29.82	29.82	29.84
1 British pound	GBP	3.02	2.84	2.90	2.96
1000 Italian lire	ITL	1.01	1.01	1.01	1.02
1 U.S. dollar	USD	1.83	1.68	1.79	1.78
100 Japanese yen	JPY	1.74	1.23	1.53	1.34

* Official mid rate (average of bid rate and asked rate)

ACCOUNTING AND VALUATION

Noncurrent assets

Acquired intangible assets are recorded at acquisition cost and amortized on a straight-line basis over periods not exceeding five years, or over the contractual useful lives of the assets, if longer. Goodwill is amortized over its estimated useful life or over periods up to 15 years. Goodwill is written down whenever recovery of the recorded costs is permanently impaired due to product innovations or changes in market conditions.

Property, plant and equipment is stated at acquisition or production cost less scheduled depreciation. A definition of production cost is provided under inventories. Acquisition or production cost is recorded net of applicable grants from third parties. Maintenance and repairs as well as interest cost are not capitalized but charged to expense as incurred. Domestic companies predominantly use the declining balance method of depreciation, switching to the straight-line method as soon as the latter results in higher depreciation charges. Depreciation of foreign companies' property, plant and equipment is generally provided on a straight-line basis. Low value assets are fully expensed in the year of acquisition.

Estimated useful lives of depreciable assets	
Factory and office buildings	20 to 50 years
Other buildings	5 to 10 years
Technical equipment and machinery	generally 10 years
Other equipment, plant and office equipment	generally 5 years
Equipment leased to customers	generally 3 to 5 years

Exceptional depreciation is charged where a decline in value other than temporary is anticipated.

Investments are stated at cost. The carrying amount is reduced to recognize a decline other than temporary in the value of the investments at the balance sheet date. Long-term interest-free loans or loans at interest rates which are below market rates are stated at their discounted cash value.

Current assets

Inventories are carried at the lower of average acquisition or production cost or current value. In addition to direct materials and direct labor, production cost includes an appropriate proportion of material and production overheads as well as production related depreciation charges. Interest on borrowings is not capitalized within production cost. Inventories include reasonable and sufficient allowance for risks relating to slow-moving items and technical obsolescence and for the net realizable values associated with long-term contracts.

Accounts receivable and miscellaneous assets are stated at their nominal amounts or cost, or at their market values, if lower. Write-downs on accounts receivable are provided according to the probability of counterparty default and for discernible country risks. Accounts receivable due after one year which bear no interest or have interest rates which are below market rates have been discounted.

Marketable securities included in liquid assets are reported at the lower of cost or quoted market prices at the balance sheet date.

Leasing

Accounting for leases is based on the extent to which risks and rewards incident to ownership of a leased asset lie with the lessor or the lessee (beneficial ownership). Under an operating lease the Company, as the lessor, remains the beneficial owner of the leased assets, which are capitalized as part of property, plant and equipment and depreciated as scheduled. Rental income under operating leases is recorded as sales revenue.

Under finance leases entered into by Siemens Financial Services (SFS), the economic benefits and risks of ownership are transferred to the lessee who becomes the beneficial owner. The present value of the lease payments and the unguaranteed residual value of the leased assets at the end of the basic lease period are recorded in accounts receivable. The interest component included in the lease payments is recognized in net interest income.

Special reserves

The change in tax-deductible special reserves included in the separate financial statements of consolidated companies is reversed in the consolidated financial statements and recognized in income, net of deferred taxes.

Accruals and other liabilities

The accruals for pension plans and transition payments of domestic companies that provide for the contractual retirement benefits of employees and retirees are set up according to actuarial principles under a projected benefit valuation method pursuant to the German Income Tax Act, on the basis of firm commitments existing at the balance sheet date.

This method assumes that employees earn entitlement to pension benefits from their entry into employment, but not before attaining age thirty, until retirement, based on equal annual amounts distributed over the employees' present and future service periods. As a result, the accruals for pension plans are derived using the present value of future pension benefits for which a firm commitment exists at the balance sheet date, less the present value of outstanding annual amounts until retirement.

The present value is based on discounted amounts using an assumed rate of interest of 6%. Increases in pension commitments are reflected in pension accruals at the present value of benefits earned.

The Company used the updated 1998 mortality tables as a basis for determining pension accruals. The effects of adopting the new mortality assumptions have been fully provided for in fiscal year 1999.

Foreign subsidiaries establish accruals for retirement benefits of employees and retirees according to comparable actuarial principles using applicable local interest rates, unless the obligations are covered by pension funds. The pension related commitments also include the obligations of the Company's U.S. subsidiaries to provide postretirement health-care benefits, which are determined on the basis of the accrued benefit valuation method using an assumed discount rate of 7.5% and taking into account the expected health-care cost trend.

The other accrued liabilities include reasonable and sufficient allowance for all perceived risks resulting from uncertain liabilities and for anticipated losses on uncompleted transactions.

Debt and other liabilities are reported at their repayment amounts on the balance sheet date. The discount resulting from the issuance of financial liabilities is included in prepaid expenses and written down over the life of the underlying debt. Any premium is recorded in deferred income and amortized over the life of the underlying debt.

Recognition of revenues and expenses

Revenue from sales is recognized when goods are shipped or services are provided and title passes to the customer. Sales relating to long-term contracts are recorded when the contract has been completed (completed contract method) or the customer has taken delivery of defined part shipments or services (performance milestones).

All research and development costs are expensed as incurred.

Taxes
All liabilities or claims relating to taxes on earnings, capital and property arising during the fiscal year are reflected in the consolidated financial statements pursuant to the relevant tax laws applicable to the individual companies.

In addition, deferred taxes are provided for the tax effects of temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements, as well as for temporary differences resulting from consolidation entries. The deferred taxes are computed in accordance with the liability method on the basis of the applicable tax rates established by local tax laws. No deferred taxes are recognized for future tax benefits resulting from loss carryforwards.

Deferred tax assets and liabilities derived from temporary valuation differences in the financial statements of the consolidated companies are netted, as are deferred tax assets and liabilities derived from temporary differences due to consolidation entries. Any resulting net deferred tax asset balances are included in miscellaneous assets, while net deferred tax liabilities are recognized in other accrued liabilities.

Currency and interest rate risks
The financial instruments used to mitigate exposure to currency and interest rate risks consist mainly of forward exchange contracts, interest rate swaps, combined interest rate/currency swaps, and options. The Company does not hold or issue derivative financial instruments for trading purposes.

Foreign currency assets and liabilities are hedged in their full principal amounts, while firm commitments and anticipated transactions are hedged according to prescribed risk limits. Due to their long-term risk profile, currency exposures arising from long-term contracts are hedged separately on a case-by-case basis.

The Company also uses derivative financial instruments to hedge its exposure to adverse movements in interest rates and manage the interest repricing frequency of its borrowings and investments.

To facilitate year-on-year comparison, the hedging instruments and the underlying transactions are combined for valuation purposes. Monetary assets and liabilities denominated in foreign currencies are recorded at year-end exchange rates, while the related hedging transactions are carried at fair value. Gains and losses on hedging instruments relating to separately hedged long-term contracts are offset by losses and gains, respectively, on the related underlying transactions.

Derivative financial instruments utilized to hedge anticipated purchases and sales forecast to occur in the next fiscal year as well as other committed transactions are valued in one of two ways, i.e. accruals are set up to cover negative fair values, while positive fair values are not recognized.

Financial statement classification
Certain items in the consolidated statement of income and on the consolidated balance sheet have been combined. These items are shown separately in the Notes.

Restructuring charges, previously reported in a line item in the consolidated statement of income, have been reclassified to functional costs. The prior year amounts were restated to conform to the 1999 presentation.

In line with international practice, the Company elected to disclose earnings before interest and taxes (EBIT) from Operations in its consolidated financial statements. As a result, net interest income as previously reflected in the consolidated statement of income has been reclassified to "Net interest income (expense) from Operations/Pension Fund" and "Other interest income (expense)." The prior year amounts have been restated to reflect this change on a retroactive basis. The previous "Other financial gains" caption was renamed "Net income from financial assets and marketable securities."

In accordance with predominant industry practice, the Company has redefined the composition of financing activities in the consolidated statement of cash flows and added a reconciliation to the amount reflected in liquid assets on the consolidated balance sheet. The change in other liquid assets is now included under investing activities. In addition, the Company reclassified the change in financing of real estate and project companies relating to the Financing and Real Estate segment, previously

included in financing activities, to investing activities ("Increase in accounts receivable from financing activities"). The increase in noncurrent securities covering the assets of the Company's Pension Fund was reclassified to net cash used in investing activities, due to the long-term nature of these assets ("Purchases of investments and noncurrent marketable securities"). The Company also changed the classification of accounts receivable from financing activities of Siemens Financial Services (SFS), previously reported in net cash provided, to net cash used in investing activities ("Increase in accounts receivable from financing activities"), in view of the long-term nature of such receivables. The prior year amounts have been restated to conform to the 1999 presentation of the statement of cash flows.

The amounts relating to Financing and Real Estate business and the Pension Fund include items resulting from intersegment transactions (stand-alone view). The effects of consolidation and corporate items have been allocated to Operations. In the segment information section on pages 68 and 69, the effects on earnings and assets are reflected in a line item captioned "Eliminations and other."

Use of estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTES TO THE STATEMENT OF INCOME

1 Net sales

Net sales also include income under operating leases and license agreements of DM2,317 (1998: DM2,070) million and DM197 (1998: DM760) million, respectively.

2 Research and development expenses

In connection with the first-time consolidation of Argon Networks, Inc., Castle Networks, Inc., and Redstone Communications, Inc., DM388 million of the purchase price has been expensed as purchased in-process R&D know-how.

Government grants in the amount of DM208 (1998: DM243) million have been offset against research and development expenses.

3 Other operating income and expenses

(in millions of DM)	1999	1998
Other operating income	1,618	951
of which: Gain on sale of land and buildings	[341]	[196]
Other operating expenses	2,570	883
including:		
Additional contributions to pension accruals	[1,312]	[209]
Amortization related to goodwill and other intangible assets resulting from acquisitions	[533]	[252]
Loss on sale of land and buildings	[203]	[32]

4 Net income from investment in other companies

(in millions of DM)	1999	1998
Income from investments	148	125
Income from profit-and-loss transfer agreements	45	74
Share in earnings resulting from equity consolidation	(32)	256
Gain on sale of investments	719	151
Losses absorbed under profit-and-loss transfer agreements	(40)	(25)
Loss on sale of investments	(32)	(10)
Write-downs on investments	(283)	(97)
Write-ups on investments	19	
	544	**474**

Income from investments includes DM76 (1998: DM70) million in income from subsidiaries.

Earnings resulting from equity consolidation consist primarily of the Company's share in the earnings of BSH Bosch und Siemens Hausgeräte GmbH, Munich; Telsi Ltd., London, which holds the equity interest in Italtel S.p.A., Milan; Thomson-CSF Airsys ATM S.A.S., Paris; Beijing International Switching System Corporation Ltd., Beijing; and Siecor Corporation, Hickory.

The gain on sale of investments includes gains related to the divestiture of investments in Austria, Japan and the U.K.

Write-downs on investments include, among others, the write-off on Breed Technologies, Inc., Lakeland, Florida.

5 Net income from financial assets and marketable securities

(in millions of DM)	1999	1998
Financial gains (excluding interest)	2,654	1,890
Financial losses (excluding interest)	(660)	(271)
Write-downs on other long-term financial assets and on current marketable securities	(187)	(168)
	1,807	**1,451**

Financial gains and financial losses include gains and losses related to the sale of current marketable securities and real estate financing companies as well as foreign exchange gains and losses on financing activities.

6 Net interest income (expense)

(in millions of DM)	1999	1998
Net interest income (expense) from Operations/Pension Fund	679	(451)
Other interest (expense) income	(40)	390
	639	**(61)**
including:		
Income from other noncurrent marketable securities and long-term loans	1,428	631
Attributable to subsidiaries	2	5
Interest and similar income	1,853	2,056
Attributable to subsidiaries	89	180
Interest and similar expenses	(1,521)	(1,629)
Attributable to subsidiaries	21	(47)
Interest cost component of allocation to pension accruals	(1,121)	(1,119)

Net interest income (expense) from Operations/Pension Fund includes the interest income and expense related to accounts receivable from customers and accounts payable to suppliers, interest on advances from customers and advance financing of customer contracts, the interest cost component of the allocation to pension accruals, and the return on plan assets generated by Siemens Kapitalanlagegesellschaft mbH. Since corporate headquarters are considered part of Operations, net interest income (expense) from Operations/Pension Fund also includes any interest income and expense that is allocatable to corporate headquarters.

Other interest expense for Operations relates primarily to interest paid on debt and corporate financing transactions through Siemens Financial Services (SFS), while other interest income for Financing and Real Estate includes all interest income and expense relating to customer financing, corporate treasury, and real estate financing.

7 Income taxes

(in millions of DM)	1999	1998
Income tax expense		
Domestic	811	357
Foreign	1,382	1,071
	2,193	1,428
Deferred taxes	(228)	(648)
Tax expense on income from ordinary activities	**1,965**	**780**
Income tax effect on extraordinary items		(681)
	1,965	**99**

Income tax expense includes German corporate income and local trade taxes, as well as the comparable foreign taxes relating to income. Such taxes are determined in accordance with the tax laws applicable to the individual companies.

8 Other taxes

Other taxes of DM503 (1998: DM431) million are reflected in functional costs. These taxes relate primarily to property taxes.

NOTES TO THE BALANCE SHEET

9 Intangible assets and property, plant and equipment

(in millions of DM)	9/30/98	Translation adjustment	Additions	Reclassifications	Retirements	9/30/99	Accumulated depreciation/amortization	Net book value as of 9/30/99	Net book value as of 9/30/98	Depreciation/amortization during fiscal year
Intangible assets										
Patents, licenses and similar rights	1,814	92	359		83	2,182	869	1,313	1,284	299
Goodwill	4,549	187	1,785		92	6,429	881	5,548	4,134	470
	6,363	279	2,144		175	8,611	1,750	6,861	5,418	769
Property, plant and equipment										
Land, equivalent rights to real property, and buildings, including buildings on land not owned	18,120	321	1,207	249	2,064	17,833	8,176	9,657	9,758	533
Technical equipment and machinery	20,577	399	3,687	815	2,591	22,887	14,549	8,338	6,569	1,787
Other equipment, plant and office equipment	20,977	346	2,711	107	3,437	20,704	15,517	5,187	5,274	2,785
Equipment leased to customers	3,248	34	1,082	385	518	4,231	2,218	2,013	1,443	555
Advances to suppliers and construction in progress	1,755	35	1,630	(1,556)	243	1,621	18	1,603	1,750	11
	64,677	1,135	10,317		8,853	67,276	40,478	26,798	24,794	5,671
	71,040	**1,414**	**12,461**		**9,028**	**75,887**	**42,228**	**33,659**	**30,212**	**6,440**

Additions to property, plant and equipment include DM3,161 million resulting from first-time consolidations. Depreciation on property, plant and equipment includes exceptional depreciation charges of DM5 million.

10 Investments

(in millions of DM)	9/30/98	Translation adjustment	Additions	Reclassifications	Retirements	9/30/99	Accumulated write-downs	Accumulated equity adjustment	Net book value as of 9/30/99	Net book value as of 9/30/98	Write-downs during fiscal year
Interests in subsidiaries	1,328	14	397	32	760	1,011	131	(5)	875	1,150	59
Interests in associated companies	2,566	27	467	23	311	2,772		327	3,099	2,904	
Noncurrent marketable securities	16,614		1,318		100	17,832			17,832	16,614	
Miscellaneous investments	1,375	8	221	(55)	470	1,079	416		663	1,109	222
	21,883	**49**	**2,403**		**1,641**	**22,694**	**547**	**322**	**22,469**	**21,777**	**281**

The additions to interests in subsidiaries relate predominantly to acquisitions and capital increases. Retirements are accounted for primarily by first-time consolidations of subsidiaries.

Noncurrent marketable securities relate to specialized investment funds which are managed by Siemens Kapitalanlagegesellschaft mbH. These securities serve to finance the domestic pension obligations. (Further information on pension accruals is provided in Note 15.)

Miscellaneous investments include interests in other companies as well as long-term loans.

Write-ups of DM14 million were made on investments under the appreciation requirement mandated by the German Commercial Code.

11 Inventories

(in millions of DM)	9/30/99	9/30/98
Materials and supplies	3,020	3,481
Work in process	6,217	5,609
Finished products and merchandise	6,217	6,138
Cost of unbilled contracts	17,095	15,629
Advances to suppliers	1,716	1,838
	34,265	**32,695**

Reasonable allowances of DM3,509 (1998: DM3,879) million were provided for the net realizable values associated with long-term contracts and for inventory risks due to slow-moving items and technical obsolescence.

12 Accounts receivable and miscellaneous assets

(in millions of DM)	9/30/99	Due after one year	9/30/98	Due after one year
Trade accounts receivable	34,602	4,229	25,773	2,131
Other accounts receivable and miscellaneous assets				
Receivables from unconsolidated subsidiaries	1,108	211	1,596	194
Receivables from associated and related companies	908	80	3,354	862
Miscellaneous assets	10,139	707	9,851	959
	12,155	998	14,801	2,015
	46,757	**5,020**	**40,574**	**4,146**

Miscellaneous assets include net deferred tax receivables of DM2,513 (1998: DM2,049) million derived from temporary differences due to consolidation entries and from temporary valuation differences in the financial statements of the consolidated companies. In addition, miscellaneous assets include certain interests in subsidiaries of DM498 (1998: DM1,060) million. These relate mainly to interests in real estate and project financing companies which were acquired exclusively as temporary financial investments.

Accounts receivable and miscellaneous assets are stated net of an allowance, primarily for credit and country risks, of DM3,851 (1998: DM3,881) million.

Rentals receivable in the future under operating leases with noncancelable minimum terms and under finance leases aggregated DM8,420 million. Amounts receivable over the next years follow (in millions of DM):

2000	2001	2002	2003	2004	thereafter
2,602	2,094	1,538	966	538	682

13 Liquid assets

(in millions of DM)	9/30/99 Carrying value	Market value	9/30/98 Carrying value	Market value
Marketable securities				
Equity securities	308	784	722	2,293
Debt securities	155	155	154	162
Fund shares	416	431	348	348
Other liquid funds	3,915	3,915	4,391	4,391
Liquid assets as stated on balance sheet	**4,794**	**5,285**	**5,615**	**7,194**
of which: Cash and cash equivalents with original maturities of up to 3 months*	3,855		4,280	

* Cash and cash equivalents as stated in statement of cash flows

In fiscal year 1999, Siemens AG repurchased 2,512,999 shares (representing DM13 million, or 0.4% of the capital stock) at an average price of DM114.52 per share, in order to offer them for sale to employees. Including the 3,411 shares of treasury stock held at the beginning of the fiscal year, 2,516,391 shares (representing DM13 million, or 0.4% of the capital stock) were sold to employees at a preferential price of DM71.30 per share. At fiscal year-end, 19 shares of stock remained in treasury. The carrying amount of these shares, which are valued at DM151.38 each, is DM3 thousand.

14 Changes in shareholders' equity

Capital stock and additional paid-in capital

As a result of the resolution of the Annual Shareholders' Meeting on February 18, 1999, all shares of stock in bearer form with a par value of DM5 each (common stock) were redenominated to registered shares of stock without par value (common stock). In addition, the 9,236,340 registered preferred shares included in the Company's capital stock were converted into shares of common stock, thereby acquiring the legal status of the remaining shares in every respect. As a result, the Company's capital stock amounts to DM2,974 million, divided into 594,790,940 shares without par value. Each share of stock is entitled to one vote.

Capital stock increased by DM54 thousand through issuance of 10,800 shares from the conditional capital to provide for the settlement offered to former shareholders of SNI AG. The premium of DM0.7 million was included in additional paid-in capital.

The authorized capital of Siemens AG amounts to DM976 (1998: DM626) million (nominal value). The authorizations to issue DM400 million (nominal value) in new shares with subscription rights for shareholders (Authorized Capital I) and DM76 million (nominal value) in new shares for which the shareholders' subscription rights are excluded because the shares will be offered for sale to employees (Authorized Capital II) will expire on February 1, 2001. The authorization to issue DM500 million (nominal value) in new shares for which the shareholders' subscription rights are excluded because the shares will be issued against contribution in kind will expire on February 1, 2003 for the first tranche of DM150 million (Authorized Capital III) and on February 1, 2004 for the second tranche of DM350 million (Authorized Capital IV).

By resolution of the Annual Shareholders' Meeting on February 18, 1999, conditional capital of DM50 million has been provided to service the 1999 Siemens Stock Option Plan. Conditional capital of DM2.9 million provides for the settlement offered to former shareholders of SNI AG who have not tendered their SNI share certificates by September 30, 1999 under the settlement offered by Siemens AG pursuant to §320 (5) (old version) of the German Corporation Act.

Retained earnings

Retained earnings include a reserve for treasury stock of DM3 (1998: DM310) thousand. The reserve was reduced by transfers to other retained earnings.

Minority interest

Minority interest represents the minority shareholders' proportionate share of the equity of consolidated subsidiaries, primarily Siemens AG Österreich, Vienna; Valeo Sylvania LLC, Seymour; and Siemens Ltd., Johannesburg.

15 Accruals for pension plans and similar commitments

(in millions of DM)	9/30/99 Domestic	Foreign	Total	9/30/98 Domestic	Foreign	Total
Accruals for pension plans	18,226	581	18,807	16,406	698	17,104
including:						
Accruals for commitments to provide for alternative domestic compensation schemes	[80]			[46]		
Vested benefit obligations	[17,611]			[15,648]		
Transition payment obligations upon retirement in Germany	1,193		1,193	1,245		1,245
Obligations of subsidiaries to provide postretirement health-care benefits		1,188	1,188		1,059	1,059
Commitments to pension funds		540	540		393	393
Accruals for pension plans and similar commitments	**19,419**	**2,309**	**21,728**	**17,651**	**2,150**	**19,801**

Accruals for domestic pension plans

(in millions of DM)	9/30/99	9/30/98
Accruals at beginning of year	16,406	15,900
Service cost for benefits earned during the year	457	391
Interest cost on projected benefit obligations	977	942
Additional contributions to pension accruals to provide for (future) increases in benefits	167	220
Additional contribution due to updated mortality tables	1,147	
Acquisitions, divestitures and changes in number of consolidated companies	34	(131)
Benefits paid	(962)	(916)
Accruals at end of year	**18,226**	**16,406**

Virtually all of the Company's employees in Germany are entitled to corporate pension benefits. At fiscal year-end, approximately 231,600 active employees had earned retirement benefit entitlements, including 140,500 employees holding vested rights. Individual benefits are generally based on eligible compensation levels or ranking within the Company hierarchy and years of service. In the year under review, approximately 101,500 domestic retired employees and their surviving dependents received pension payments totaling DM962 million.

The accruals for pension plans of Siemens AG and other domestic companies provide for the direct contractual retirement benefits of employees and retirees. In accordance with legal requirements, the vested rights of the Company's domestic employees and retirees to receive retirement benefits are insured with the Pensions-Sicherungsverein (PSVaG), an independent pension guaranty association.

Retirement benefit corporations, primarily Siemens-Altersfürsorge GmbH, provide for 20% of the domestic retirement obligations to employees subject to collective bargaining agreements

and to their surviving dependents. The existing pension commitments of these retirement benefit corporations amount to DM1,857 (1998: DM1,720) million and are covered by assets with a market value of DM2,052 (1998: DM2,167) million.

Domestic employees who entered into the Company's employment on or before September 30, 1983, are entitled to compensatory payments for the first six months after retirement equal to the difference between their final compensation and the retirement benefits payable under the corporate pension plan ("Transition payment obligations upon retirement in Germany").

As in Germany, the Company's foreign subsidiaries offer primarily defined benefit pension plans. Retirement benefits may vary depending on the legal, fiscal and economic requirements in each country.

The retirement benefit obligations of the Company's consolidated foreign subsidiaries are predominantly covered by external pension funds. Direct pension commitments are accrued. Material foreign pension accruals exist primarily in Sweden.

The aggregate benefit obligation of the independent foreign pension funds amounts to DM9,771 (1998: DM8,796) million and is covered by assets with a market value of DM10,668 (1998: DM9,246) million. The largest of these pension funds are located in Switzerland with fund assets of DM3,808 million, the U.S. with DM3,827 million, the U.K. with DM1,268 million, and Austria with DM725 million. Accruals are set up to provide for benefit obligations not covered by the assets of certain external pension funds ("Commitments to pension funds").

Certain foreign companies, primarily in the U.S., provide postretirement health-care benefits to employees ("Obligations of subsidiaries to provide postretirement health-care benefits").

Siemens' net benefit expense for direct and indirect pension obligations and similar commitments follows.

Net benefit expense for pension plans and similar commitments

(in millions of DM)	1999	1998
Service cost for benefits earned during the year	(532)	(501)
of which: Commitments to alternative compensation schemes	(32)	(24)
Interest cost on projected benefit obligations	(1,047)	(1,044)
of which: Interest cost component of accruals for alternative compensation schemes	(3)	(1)
Return on domestic plan assets	2,400	1,153
Additional contributions to pension accruals to provide for (future) increases in benefits	(165)	(209)
Additional contribution due to updated 1998 mortality tables	(1,147)	
Net periodic pension cost	**(491)**	**(601)**
Cost of domestic transition payment obligations	(112)	(126)
of which: Interest cost	(74)	(75)
Cost of subsidiaries' obligations to provide postretirement health-care benefits	(70)	(69)
Transfers (from) to retirement benefit corporations or pension funds	(130)	110
Net periodic postretirement benefit cost	**(312)**	**(85)**
Total net benefit expense	**(803)**	**(686)**

DM460 (1998: DM353) million of the total net benefit expense is accounted for by domestic operations.

(in millions of DM)	1999	1998
Net benefit expense for domestic pension plans	(348)	(400)
Charged to operating units	396	391
Income (loss) from Pension Fund as reported in statement of income	**48**	**(9)**

Income (loss) from Pension Fund comprises the net benefit expense for domestic pension plans, net of the service cost for benefits earned during the year, which is allocated to functional costs of the units concerned. The interest cost on projected benefit obligations and the return on domestic plan assets are included in net interest income (expense) from Pension Fund and in net income from financial assets and marketable securities, while the additional contributions to pension accruals to provide for increases in benefits and due to the updated mortality tables are recorded in other operating expenses.

Pension obligations
based on the accrued benefit valuation method

The disclosure of pension accrual funding in Germany by the market values of domestic plan assets managed by Siemens Kapitalanlagegesellschaft mbH, Munich, is based on pension accruals determined under the internationally accepted accrued benefit valuation method. By incorporating market interest rates, future compensation levels and pension trends, this method provides a better approximation to the market values of the obligations than the projected benefit valuation method pursuant to the German Income Tax Act. The actuarial assumptions used in determining the valuation bases follow.

Assumed discount rate	6.0%
Compensation increase rate	2.5% p.a.
Pension progression rate	1.5% p.a.

The domestic pension accruals determined on the basis of the accrued benefit valuation method exceed the accruals for pension plans under the projected benefit valuation method as stated on the balance sheet by DM2,910 (1998: DM3,934) million. The reduced difference is due to the adoption of the updated 1998 mortality tables in the balance sheet prepared for financial reporting purposes.

The domestic pension accruals are funded by plan assets which are included in noncurrent marketable securities on the consolidated balance sheet.

The funded status of domestic pension accruals determined under the accrued benefit valuation method by the market values of domestic plan assets is shown below.

(in millions of DM)	9/30/99	9/30/98
Domestic plan assets at market value	21,388	20,372
Domestic pension accruals based on the accrued benefit valuation method	21,136	20,340
Overfunding	**252**	**32**

The overfunding indicates that the market values of the plan assets carried separately by the Company are sufficient to cover the year-end pension accruals determined according to internationally accepted valuation principles. These plan assets are currently not available for other financing purposes.

The following table shows the funding by plan assets at market values of the domestic and foreign indirect pension obligations assumed by retirement benefit corporations and pension funds in Germany and abroad, as determined under the accrued benefit valuation method:

(in millions of DM)	9/30/99	9/30/98
Domestic plan assets	2,052	2,167
Domestic pension obligations	2,133	2,170
Underfunding	**(81)**	**(3)**
Foreign plan assets	10,668	9,246
Foreign pension obligations	9,970	9,200
Overfunding	**698**	**46**
Total overfunding	**617**	**43**

The plan assets designed to finance the direct and indirect domestic pension obligations are held in specialized investment funds managed by Siemens Kapitalanlagegesellschaft mbH, Munich.

16 Other accrued liabilities

(in millions of DM)	9/30/99	9/30/98
Provisions for taxes	2,898	2,845
Extraordinary restructuring charges and exit costs	677	1,595
Employee related costs	5,617	5,481
Business related accruals	7,411	6,743
including:		
Warranties	[4,122]	[3,915]
Order related losses and risks	[2,968]	[2,731]
Remediation and environmental protection	1,679	1,697
Miscellaneous accruals	5,048	5,189
	23,330	**23,550**

In addition to current restructuring charges, employee related costs include mainly accruals for vacation pay, compensation time and service anniversary awards.

Remediation and environmental protection liabilities have been accrued primarily to account for the cleanup of the closed fuel element facility in Hanau, Germany.

Miscellaneous accruals relate to a number of perceived risks and uncertain liabilities to which Siemens may be exposed.

17 Debt

		Years to maturity				Years to maturity		
(in millions of DM)	9/30/99	0 – 1	1 – 5	over 5	9/30/98	0 – 1	1 – 5	over 5
Bonds and notes	7,721	380	3,568	3,773	7,375	146	3,373	3,856
Loans from banks	4,101	3,691	273	137	3,323	2,357	772	194
Promissory notes and other loans	2,381	2,154	165	62	3,786	3,521	263	2
	14,203	**6,225**	**4,006**	**3,972**	**14,484**	**6,024**	**4,408**	**4,052**

Promissory notes and other loans include commercial paper and loans denominated in U.S. dollars and various European currencies, as well as unlisted bonds with interest rates ranging from 0.80% to 5.35%, depending on the currency environment.

Debt in the amount of DM227 (1998: DM186) million is secured, DM73 (1998: DM134) million of which, primarily outside Germany, is secured by mortgages. Domestic debt of DM5 million is secured by claims under a Hermes export credit guarantee. In some countries, the Company has pledged securities and executed promissory notes to secure borrowings, in conformity with local practice.

Bonds and notes *(in millions)*	Foreign currency		DM
Elektrowatt AG, Zurich			
2.75% 1993/2003 Swiss franc bonds	CHF	100	122
3% 1994/2004 Swiss franc bonds	CHF	200	245
7.75% 1992/2002 Swiss franc bonds	CHF	44	54
Landis & Gyr Ltd., Jersey			
2% 1994/2001 Swiss franc bonds	CHF	100	122
Siemens Capital Corporation, Wilmington			
0.10% 1999/1999 Euro-denominated notes	EUR	40	78*
8% 1992/2002 U.S. dollar bonds	USD	590	1,082
4.5% 1998/2001 U.S. dollar bonds	USD	300	550*
6% 1998/2008 U.S. dollar bonds	USD	1,000	1,835*
6.88% 1997/2000 British pound bonds	GBP	100	302*
7.5% 1998/2003 Greek drachma Eurobonds	GRD	5,000	30*
Siemens Western Finance N.V., Willemstad, Curaçao			
1986/2001 U.S. dollar zero coupon bonds	USD	172	316
Siemens Financieringsmaatschappij N.V., The Hague			
3.25% 1997/2002 Swiss franc bonds	CHF	350	429*
5.75% 1998/2002 U.S. dollar bonds	USD	200	367*
5.5% 1997/2007 DM parallel bonds			750
5.5% 1997/2007 French franc parallel bonds	FRF	2,500	745
5.5% 1997/2007 Dutch guilder parallel bonds	NLG	500	444
10.25% 1998/2000 DM reverse convertibles			200
10.25% 1999/2000 DM reverse convertibles			50
			7,721

* Issued under the Company's € 3.5 billion medium-term note program.

The total discount of DM20 million resulting from the issuance of bonds and notes is included in prepaid expenses.

18 Other liabilities

(in millions of DM)	9/30/99	Years to maturity 0 – 1	1 – 5	over 5	9/30/98	Years to maturity 0 – 1	1 – 5	over 5
Trade accounts payable	13,920	13,736	177	7	12,085	11,638	297	150
Additional liabilities								
Liabilities to unconsolidated subsidiaries	554	551	3		579	576	3	
Liabilities to associated and related companies	338	337	1		373	370	3	
Miscellaneous liabilities	11,243	10,823	272	148	9,706	9,325	240	141
	12,135	11,711	276	148	10,658	10,271	246	141
	26,055	**25,447**	**453**	**155**	**22,743**	**21,909**	**543**	**291**

Tax liabilities of DM1,834 (1998: DM1,573) million are included in miscellaneous liabilities. In addition, this account comprises liabilities of DM1,155 (1998: DM1,294) million mandated by the social security program, including liabilities for severance payments of DM406 (1998: DM517) million.

NOTES TO THE STATEMENT OF CASH FLOWS

19 Net cash provided and net cash used in investing activities

Net cash provided includes interest income of DM2,969 (1998: DM2,491) million and interest expense of DM1,427 (1998: DM1,769) million.

ADDITIONAL INFORMATION

20 Personnel costs

(in millions of DM)	1999	1998
Wages and salaries	36,267	32,344
Statutory social welfare contributions and expenses for optional support payments	6,232	5,524
Expenses relating to pension plans and employee benefits	2,732	1,507
	45,231	**39,375**

The expenses relating to pension plans and employee benefits are reduced by DM1,121 (1998: DM1,119) million to provide for the interest cost component included in the allocation to pension accruals. This amount was charged as an expense in arriving at the total of net interest income.

Under the 1999 Siemens Stock Option Plan, key executives below Managing Board level of Siemens AG as well as members of the top management and key executives below top management level of domestic and foreign consolidated subsidiaries were granted non-transferable stock options to purchase 1,067,061 shares of Siemens AG at an exercise price of € 86.60.

The average number of employees in fiscal year 1999 was 440,200 (1998: 401,000). In this figure, part-time employees are not counted as full units but are included on a proportionate basis. The employees were engaged in the following activities:

	1999	1998
Manufacturing	202,500	185,000
Sales and marketing	134,100	123,300
Research and development	49,300	45,600
Administration and general services	54,300	47,100
	440,200	**401,000**

21 Supervisory Board and Managing Board remuneration and loans granted

In fiscal year 1999, the remuneration paid to members of the Supervisory Board amounted to DM1.7 (1998: DM1.3) million; to members of the Managing Board DM23.4 (1998: DM19.2) million; and to former members of the Managing Board and their surviving dependents DM24.8 (1998: DM25.0) million. Pension commitments to former members of the Managing Board and their surviving dependents are covered by an accrual of DM191.9 (1998: DM162.6) million. Members of the Managing Board receive non-transferable stock options to purchase 114,000 shares of Siemens AG at an exercise price of € 86.60.

Loans to members of the Managing Board totaled DM0.5 (1998: DM0.9) million (repaid in 1999: DM0.4 million). These loans bear 6% interest and have contractual terms of up to nine years.

The members of the Managing Board of Siemens AG are listed on pages 3 and 4 of this Annual Report. The members of the Supervisory Board of Siemens AG are presented on page 45.

22 Guarantees and other commitments

(in millions of DM)	9/30/99	9/30/98
Discounted bills of exchange	302	276
Provided to subsidiaries		[3]
Guarantees	409	480
Credit guarantees provided to subsidiaries, associated and related companies, and third parties	[9]	[11]
Warranties	6,337	4,598
Credit guarantees provided to subsidiaries, associated and related companies, and third parties	[979]	[1,467]
Collateral for third party liabilities	11	3

Guarantees and warranties relate primarily to guarantees issued in connection with the financing for long-term contracts. Reasonable and sufficient allowance is provided for in miscellaneous accruals when there is substantial assurance that the Company will be required to satisfy these guarantees.

23 Financial obligations under leases

At September 30, 1999, the Company had payment obligations under real estate property leases and under long-term lease agreements for movable and immovable assets with an aggregate nominal value of DM2,955 (1998: DM2,958) million, including DM138 (1998: DM139) million to unconsolidated subsidiaries. Under the terms of these leases, the agreements do not transfer the effective ownership rights to the leased properties. Accordingly, they are not capitalized in the consolidated financial statements.

The aggregate rental expense in fiscal year 1999 was DM406 (1998: DM298) million. Future payment obligations under these leases are as follows (in millions of DM):

2000	2001	2002	2003	2004	thereafter
372	353	328	301	248	1,353

24 Other financial obligations

The Company has commitments to make capital contributions of DM170 (1998: DM249) million to other companies, including DM8 (1998: DM9) million to subsidiaries.

The Company is liable for contributions in the amount of DM628 (1998: DM603) million that were not fully paid in, including DM613 (1998: DM392) million to unconsolidated subsidiaries, as a limited partner pursuant to §171 of the German Commercial Code.

The Company is jointly and severally liable and has capital contribution obligations as a partner in companies formed under the German Civil Code, through which it has executed profit-and-loss transfer agreements with other companies, as a partner in commercial partnerships and in a European Economic Interest Grouping (EEIG), and as a participant in various consortiums.

Siemens AG – together with a number of other German and non-German companies – is a defendant in a series of so-called class actions and individual lawsuits currently pending before U.S. federal district courts and German labor and district courts. These lawsuits primarily seek, as relief, compensatory and punitive damages as well as an accounting for and disgorgement of profits relating to forced labor performed at Siemens facilities during World War II. The legal proceedings pending before the German courts do not involve an amount of relief sought. The lawsuits pending in the U.S. do not generally specify an amount of relief sought. The Company does not expect a judicial decision in the U.S. suits to result in any liabilities which could have a significant influence on Siemens' assets, liabilities, financial position and earnings. Two of the class-action lawsuits before the federal district court in New Jersey, U.S., have already been dismissed as non-judiciable. The Company intends to lead all forced-labor

claims to a political solution of the type currently in negotiation at the German and American government level, and is participating – together with other prominent German companies – in a related initiative to establish a humanitarian foundation.

The holder of the former preferred shares with multiple voting rights has instituted a valuation proceeding (Spruchverfahren) before a German district court, seeking reasonable compensation for the elimination of these multiple voting rights. The Annual Shareholders' Meeting on February 18, 1999, had eliminated such multiple voting rights without compensation.

Siemens is a party to various lawsuits and arbitration proceedings arising in the ordinary course of its business, including matters involving allegations of improper shipments and services, product liability, patent infringement and claims for damages. Liabilities for litigation risks have been accrued, which represent reasonable estimates of the probable liabilities associated with the cost of related litigation and the estimated cost of an unfavorable outcome of the disputes. Although the ultimate resolution of these matters is subject to the uncertainties inherent in litigation or arbitration, Siemens does not believe that the disposition of matters that are pending or asserted will have a material adverse effect on the Company's consolidated financial position or operating results.

25 Derivative financial instruments

The Company uses both listed and over-the-counter (OTC) derivative financial instruments to hedge the currency and interest rate risks associated with its operational business as well as its investing and financing activities.

Derivative financial instruments outstanding at fiscal year-end follow.

	Notional amount		Fair value	
(in millions of DM)	9/30/99	9/30/98	9/30/99	9/30/98
Currency portfolio				
Forward currency contracts	35,198	21,332	(175)	161
Interest rate and combined interest rate/currency swaps	4,878	8,317	34	54
Options	1,075	232	2	(3)
Other forward contracts	6,405	7,830	1	(4)
	47,556	**37,711**	**(138)**	**208**
Interest rate portfolio				
Forward currency contracts	10,712	9,957	89	5
Interest rate and combined interest rate/currency swaps	19,719	13,167	(241)	165
Options	1,296	1,030	36	
Other forward contracts	6,606	4,527	11	19
	38,333	**28,681**	**(105)**	**189**

The notional amount represents the aggregate gross amount of all purchases and sales agreed upon between the parties and, therefore, is not a direct measure of the exposure of the Company through its use of derivatives. Opportunities and risks are reflected by the fair value which corresponds to the estimated amounts that would have been received or paid if the derivative financial instruments had been settled at fiscal year-end.

Forward currency contracts utilized by the Company predominantly mature within one year, while interest rate and combined interest rate/currency swaps generally mature after one year. Option contracts and other forward contracts generally have maturities not exceeding 12 months.

The currency portfolio includes, among other things, derivatives that hedge transactions denominated in U.S. dollars with an aggregate notional amount of DM19.2 billion and a total fair value of approximately DM(157) million as well as transactions denominated in British pounds with a notional amount of DM15.6 billion and a fair value of approximately DM(20) million.

At September 30, 1999, the total fair value of currency and interest rate portfolio derivatives was DM(243) million. The negative development in fair value is primarily a result of the strength of the U.S. dollar and the British pound relative to the German mark. The negative fair value of the currency portfolio is largely offset by positive changes in the value of the underlying exposures being hedged.

The Company's total exposure to credit risk amounts to DM265 (1998: DM543) million. Credit risk represents the total cost of replacing those derivative contracts in a gain position, net of offsetting agreements. The Company is exposed to credit related losses should any of the counterparties fail to perform as contracted. To minimize its exposure to credit risk, the Company deals exclusively with high credit quality financial institutions in Germany and abroad. Approximately 90% of these have credit ratings of AAA or AA from Standard & Poor's or Moody's. In addition, the Company limits the amount of credit exposure to any one bank, based on the bank's credit rating.

26 Segment information

Geographic areas	Sales by location of customers		Sales by location of companies		Income before taxes	
(in millions of DM)	1999	1998	1999	1998	1999	1998
Germany	36,526	36,252	82,202*	78,564	1,743	414
Europe (other than Germany)	42,055	35,056	47,508	40,765	2,342	1,694
The Americas	32,854	27,107	33,197	25,623	328	637
Asia-Pacific	16,194	12,788	13,286	10,541	816	391
Other countries	6,505	6,493	1,465	1,282	164	89
Eliminations			(43,524)	(39,079)	220	213
Siemens worldwide	**134,134**	**117,696**	**134,134**	**117,696**	**5,613**	**3,438**

Geographic areas	Capital spending		Amortization, depreciation and write-downs	
(in millions of DM)	1999	1998	1999	1998
Germany	5,118	4,119	3,098	2,935
Europe (other than Germany)	2,206	5,954	1,362	2,784
The Americas	3,522	3,996	1,050	913
Asia-Pacific	666	841	432	381
Other countries	77	186	28	32
Siemens worldwide	**11,589**	**15,096**	**5,970**	**7,045**

* Includes exports to customers and subsidiaries totaling DM45,676 (1998: DM42,312) million shipped to the following areas: Europe (other than Germany) DM21,083 (1998: DM18,248) million; the Americas DM8,261 (1998: DM8,454) million; Asia-Pacific DM12,266 (1998: DM10,952) million; Other countries DM4,066 (1998: DM4,658) million.

"Eliminations" data for income before taxes includes only items that could not meaningfully be associated with specific geographic areas. All other intercompany eliminations have been allocated to those geographic areas in which the amounts were originally incurred.

September 30, 1999	Sales[1] (in millions of DM)	Income after taxes[1] (in millions of DM)	Equity interest in %
I. Subsidiaries – Operations			
1. Regional Companies (international)			
Siemens S.A., Brussels	1,215	72	100
Siemens A/S, Ballerup (Copenhagen)	848	7	100
Siemens Osakeyhtiö, Espoo (Helsinki)	473	19	100
Siemens S.A.S., Saint-Denis (Paris)	2,111	42	100
Siemens A.E., Elektrotechnische Projekte und Erzeugnisse, Athens	265	9	100
Siemens plc, Bracknell (London)[3]	4,471	76	100
Siemens Ltd., Dublin	497	5	100
Siemens S.p.A., Milan	1,818	64	100
Siemens Nederland N.V., The Hague	2,171	9	100
Siemens A/S, Oslo	1,335	25	100
Siemens Aktiengesellschaft Österreich, Vienna[3]	4,484	379	74
Siemens S.A., Lisbon[3]	1,076	109	100
Siemens AB, Stockholm	1,029	7	100
Siemens Schweiz AG, Zurich[3]	2,041	72	100
Siemens S.A., Madrid	2,116	140	100
Siemens SIA, Riga	31	1	100
Siemens Sp.z.o.o., Warsaw	289	5	100
Siemens s.r.o., Prague	113	3	100
AS Siemens, Tallinn	39	1	100
UAB Siemens, Vilnius	33	.	100
OOO Siemens, Moscow	78	(14)	100
Simko Ticaret ve Sanayi A.Ş., Istanbul	580	1	75
Siemens Rt., Budapest	209	11	100
Siemens Canada Ltd., Mississauga (Ontario)	1,292	42	100
Grupo Siemens S.A. de C.V., Mexico City[3]	835	32	100
Siemens S.A., Buenos Aires	973	8	100
Siemens Ltda., São Paulo	1,727	57	100
Siemens S.A., Bogotá	234	5	94
Siemens S.A., Caracas	93	4	100
Siemens Ltd., Bayswater (Richmond)[3]	1,055	26	100
Siemens Advanced Engineering Pte. Ltd., Singapore	302	6	100
Siemens Ltd., Bangkok	398	8	93
Siemens Ltd., Beijing[3]	52	62	100
Siemens Ltd., Mumbai	438	15	51
Siemens Ltd., Hong Kong	162	2	100
Siemens Ltd., Seoul	45	10	100
Siemens Ltd., Taipei	71	.	100
P.T. Siemens Indonesia, Jakarta	98	.	94
Siemens K.K., Tokyo	485	8	100
Siemens Inc., Manila	234	13	100
Siemens Pakistan Engineering Co. Ltd., Karachi	115	4	64
Siemens Ltd., Johannesburg[3]	905	54	64
Siemens Ltd., Cairo	64	(1)	90
2. Siemens U.S.A. (Group statements)	26,707	59[5]	100
3. Other subsidiaries			
Power Generation (KWU)			
Advanced Nuclear Fuels GmbH, Lingen	256	13	100
Siemens Power Corporation, Richland, Washington	366	[2]	100
Siemens Westinghouse Power Corporation, Orlando, Florida	4,562	[2]	100

[1] These figures correspond to the financial statements prepared in accordance with local regulations and do not reflect the amounts included in the consolidated financial statements. Foreign currency accounts included in income after taxes are translated at year-end exchange rates, while sales accounts are translated at the average rate of exchange for the year.

[2] Included in U.S. Group statements.

[3] Sales and income after taxes as stated in the consolidated financial statements.

[4] Subsidiary pursuant to §290, par. 2 (1) of the German Commercial Code.

[5] Excluding extraordinary losses of DM388 million resulting from write-downs on purchased in-process technology.

[6] Fiscal six months from April 1, 1999 to September 30, 1999.

[7] Siemens Matsushita Components GmbH & Co. KG until June 30, 1999.

as of September 30, 1999	Sales[1] (in millions of DM)	Income after taxes[1] (in millions of DM)	Equity interest (%)
Power Transmission and Distribution (EV)			
Siemens Metering AG, Zug	301	(28)	100
Siemens Power Transmission & Distribution, LLC, Raleigh, North Carolina	753	[2]	100
Automation and Drives (A&D)			
Siemens Production Automatisation S.A., Haguenau	125	3	100
Siemens Elektromotory s.r.o., Mohelnice	257	8	100
Siemens Energy & Automation, Inc., Alpharetta, Georgia	3,380	[2]	100
Industrial Projects and Technical Services (ATD)			
Siemens Westinghouse Technical Services Company, Inc., Atlanta, Georgia	249	[2]	100
Production and Logistics Systems (PL)			
Siemens ElectroCom GmbH & Co., Constance	611	(48)	100
Siemens ElectroCom International, Inc., Arlington, Texas	689	[2]	100
Siemens Building Technologies (SBT)			
Siemens Building Technologies AG, Zurich[3]	1,123	67	100
Siemens Gebäudetechnik GmbH & Co. OHG, Erlangen	1,906	(3)	100
Siemens Building Technologies, Inc., Buffalo Grove, Illinois	2,047	[2]	100
Information and Communication Networks (ICN)			
Siemens Tele Industrie A.E., Thessaloniki	297	6	70
Unisphere Solutions, Inc., Burlington, Massachusetts	115	[2]	100
ZWUT S.A., Warsaw	308	12	97
Egyptian German Telecommunication Industry S.A.E., Cairo	186	69	75
Siemens Information and Communication Networks, Inc., Boca Raton, Florida	2,937	[2]	100
Siemens Shanghai Mobile Communications Ltd., Shanghai	751	31	60
Siemens Public Communication Networks Ltd., Bangalore	156	8	100
Siemens Telecommunication Systems Ltd., Taipei[3]	569	43	60
Information and Communication Products (ICP)			
Siemens PC System GmbH & Co. KG, Augsburg	2,245	9	100
Siemens IT Service GmbH & Co. OHG, Munich	1,891	29	100
Siemens Nixdorf Retail and Banking Systems GmbH, Paderborn	1,585	7	100
Siemens Shanghai Communication Terminals Ltd., Shanghai	75	2	60
Siemens Information and Communication Products, LLC, Austin, Texas	439	[2]	100
Siemens Business Services (SBS)			
Siemens Business Services GmbH & Co. OHG, Munich	4,223	(241)	100
Siemens Business Services GmbH, Vienna	306	7	100
Siemens Business Services AG, Kloten	312	8	100
Siemens Business Services Limited, Hounslow, Middlesex	442	(19)	100
Siemens Informatica S.p.A., Milan	853	32	51
Siemens Business Services, LLC, Burlington, Massachusetts	210	[2]	100
Transportation Systems (VT)			
Siemens Duewag Schienenfahrzeuge GmbH, Krefeld	378	(159)	100
Siemens SGP Verkehrstechnik Ges.m.b.H., Vienna	722	83	75
Matra Transport International S.A., Montrouge	305	18	95
Siemens Transportation Systems, Inc., Iselin, New Jersey	779	[2]	100
Automotive Systems (AT)			
Siemens Automotive S.A., Toulouse	952	27	100
Siemens Automotive Corp., Auburn Hills, Michigan	1,451	[2]	100
Medical Engineering (Med)			
Siemens Audiologische Technik GmbH, Erlangen	136	108	100
Siemens Health Services GmbH & Co. KG, Erlangen	151	.	100
Siemens-Elema AB, Solna (Stockholm)	696	30	100
Siemens Medical Systems, Inc., Iselin, New Jersey	3,202	[2]	100

	Sales[1] (in millions of DM)	Income after taxes[1] (in millions of DM)	Equity interest (%)
Infineon Technologies			
Infineon Technologies AG, Munich[6]	5,035	(159)	100
Infineon Technologies Dresden GmbH & Co. OHG, Dresden	937	59	100
Infineon Technologies (Integrated Circuits) Sdn. Bhd., Malacca, Malaysia[3]	1,472	82	100
Infineon Technologies Asia Pacific Pte Ltd., Singapore[3]	2,860	70	100
Infineon Technologies North America Corp., Wilmington, Delaware	1,752	[2]	100
Passive Components and Electron Tubes (PR)			
EPCOS AG, Munich[4] [7]	1,275	107	55
Siemens Matsushita Components OHG, Deutschlandsberg	527	100	100
Siemens Matsushita Componentes S.A., Évora	62	(6)	100
Siemens Matsushita Components S.A., Málaga	97	5	100
Icotron Ltda. Indústria de Componentes Eletrônicos, Gravataí	117	3	100
EPCOS Pte. Ltd., Singapore	241	55	100
Electromechanical Components (EC)			
Siemens Electromechanical Components GmbH & Co. KG, Munich	555	(24)	100
EH-Schrack Anlagenverwaltung AG, Vienna	8	1	100
EH-Schrack Components AG, Vienna	115	6	100
Siemens Electromechanical Components, Inc., Peachtree City, Georgia	419	[2]	100
Osram			
Osram GmbH, Munich	2,377	171	100
Osram Opto Semiconductors GmbH & Co. OHG, Regensburg	362	12	100
Osram S.A.S., Molsheim, France	370	8	100
Osram Ltd., Wembley (London)	222	(3)	100
Osram Società Riunite Osram Edison-Clerici S.p.A., Milan	508	26	100
Osram de México S.A. de C.V., Tultitlán	127	10	100
Osram Argentina S.A.C.I., Buenos Aires	109	8	100
Osram do Brasil Companhia de Lâmpadas Elétricas Ltda., Osasco (São Paulo)	180	25	100
Osram-Melco Ltd., Yokohama	241	10	51
Osram Sylvania, Inc., Danvers, Massachusetts	3,526	[2]	100
II. Subsidiaries – Financing and Real Estate			
Siemens Financial Services (SFS)			
Siemens Finance & Leasing GmbH, Munich	.	.	100
Siemens Finanzierungsgesellschaft für Informationstechnik mbH, Munich	371	.	100
Siemens Financial Services, Inc., Iselin, New Jersey	135	[2]	100
Siemens Real Estate Management (SIM)			
Siemens Immobilien Management GmbH & Co. OHG, Munich	563	50	100
Siemens Real Estate, Inc., Iselin, New Jersey	6	[2]	100
III. Associated companies			
Information and Communication Networks (ICN)			
Telsi Ltd., London[3]	3,986	(285)	50
Information and Communication Products (ICP)			
Siecor Corporation, Hickory, North Carolina[3]	2,062	139	50
Other (not allocatable to specific operating units)			
BSH Bosch und Siemens Hausgeräte GmbH, Munich	6,504	179	50
Tela Versicherung Aktiengesellschaft, Berlin and Munich	586	36	50

[1] These figures correspond to the financial statements prepared in accordance with local regulations and do not reflect the amounts included in the consolidated financial statements. Foreign currency accounts included in income after taxes are translated at year-end exchange rates, while sales accounts are translated at the average rate of exchange for the year.

[2] Included in U.S. Group statements.

[3] Sales and income after taxes as stated in the consolidated financial statements.

[4] Subsidiary pursuant to §290, par. 2 (1) of the German Commercial Code.

[5] Excluding extraordinary losses of DM388 million resulting from write-downs on purchased in-process technology.

[6] Fiscal six months from April 1, 1999 to September 30, 1999.

[7] Siemens Matsushita Components GmbH & Co. KG until June 30, 1999.

	1999	1998	1997	1996	1995
Sales and earnings *(in millions of DM)*					
Net sales	134,134	117,696	106,930	94,180	88,763
Gross profit on sales[1]	38,120	31,916	30,300	27,470	26,637
Research and development expenses[1]	10,240	9,122	8,132	7,296	7,274
as a percent of sales	7.6	7.8	7.6	7.7	8.2
Income after taxes before extraordinary items	3,648	2,658	2,608	2,491	2,084
Extraordinary items and accounting changes		(1,741)		496	
Net income	3.648	917	2.608	2.987	2.084
Assets and funds employed *(in millions of DM)*					
Noncurrent assets	56,128	51,989	46,372	40,608	37,025
Current assets	64,145	60,035	51,731	46,893	44,952
Shareholders' equity	33,640	30,292	28,407	25,198	22,491
as a percent of total assets	28	27	29	29	27
Pension accruals	21,728	19,801	19,612	18,649	17,747
Other accrued liabilities	23,330	23,550	20,080	19,840	20,471
Debt	14,203	14,484	9,204	6,179	5,141
Debt-equity ratio	0.42:1	0.48:1	0.32:1	0.24:1	0.22:1
Maturing after one year	7,977	8,460	5,187	2,505	1,605
Total assets	120,273	112,024	98,103	87,501	81,977
Cash flows[1] *(in millions of DM)*					
Net cash provided	11,174	3,907	4,073	4,666	5,394
Depreciation and amortization	6,721	7,588	5,259	4,708	4,677
Net cash used in investing activities	(9,051)	(5,735)	(7,211)	(6,295)	(6,693)
Purchases of investments and noncurrent marketable securities	(4,126)	(7,597)	(2,973)	(2,104)	(2,388)
Additions to intangible assets, property, plant and equipment, and equipment leased to customers	(7,463)	(7,263)	(6,733)	(6,411)	(5,444)
Net cash (used in) provided by financing activities	(2,641)	3,837	1,861	(971)	1,190
Net (decrease) increase in cash and cash equivalents	(425)	1,812	(1,219)	(2,516)	(155)
Employees					
Employees (in thousands)[2]	443	416	386	379	373
Employee costs *(in millions of DM)*	45,231	39,375	38,060	35,958	35,467

	1999	1998	1997	1996	1995
Key capital market data *(in €, unless otherwise indicated)*					
Economic value added *(in millions of DM)*	(1,287)	(2,161)			
DVFA/SG earnings per share (new)[3]	2.63	1.38			
DVFA/SG earnings per share (old)[4]	3.17	2.24	2.38	2.29	20.30
Dividend per share[5]	1.00	0.77	0.77	0.77	6.65
Siemens stock price[5] [6]					
High	86.30	70.87	66.47	43.95	393.20
Low	40.65	46.17	36.20	36.86	306.00
Year-end (September 30)	77.40	47.19	61.02	41.14	368.79
Siemens stock performance over prior year (in percentage points)					
compared to DAX ®	+ 63.23	– 30.00	– 6.98	– 8.33	+ 7.51
compared to Dow Jones STOXX ®	+ 47.85	– 26.13	– 2.79	– 8.16	+ 2.64
Number of shares *(in millions)*[5]	595	595	571	560	56
Market capitalization *(in millions of €)*[5]	46,037	28,068	34,852	23,036	20,648
Credit rating of long-term debt					
Standard & Poor's	AA	AA	AAA	AAA	AAA
Moody's	Aa3	Aa1	Aa1	Aaa	Aaa

Quarterly figures	1999	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	134,134	28,822	32,370	30,969	41,973
Income after taxes before extraordinary items	3,648	639	750	697	1,562

	1998	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	117,696	24,911	27,229	29,787	35,769
Income after taxes before extraordinary items	2,658	569	619	595	875

Siemens AG
Statement of income and balance sheet
in billions of DM (condensed version)

Years ended September 30	1999	1998
Net sales	67.9	72.2
Cost of sales	(51.8)	(56.0)
Gross profit on sales	16.1	16.2
Other functional costs	(16.3)	(18.3)
Other income and expenses	2.3	3.6
Income before income taxes	2.1	1.5
Income taxes	(0.5)	(0.1)
Extraordinary items (after taxes)	1.9	(1.6)
Net income (loss)	3.5	(0.2)

September 30	1999	1998
Property, plant and equipment	2.9	5.1
Investments	28.5	25.1
Noncurrent assets	31.4	30.2
Inventories	2.3	3.2
Accounts receivable	31.1	25.6
Marketable securities, liquid assets	18.7	18.6
Total assets	83.5	77.6
Shareholders' equity	26.3	23.7
Accrued liabilities and special reserves	29.7	30.2
Debt	1.6	0.4
Other liabilities	25.9	23.3
Total shareholders' equity and liabilities	83.5	77.6

(1) Only the 1998 amounts have been restated to reflect major reclassifications made in fiscal year 1999.
(2) Without temporary student workers and trainees.
(3) German Society of Investment Analysts and Asset Managers (new computation formula).
(4) German Society of Investment Analysts and Asset Managers (old computation formula); fiscal year 1995 based on DM50 shares.
(5) Fiscal year 1995 based on DM50 shares.
(6) XETRA or IBIS closing prices, Frankfurt.

ADDRESS:
Siemens AG
Wittelsbacherplatz 2
D-80333 Munich
Federal Republic of Germany
Internet http://www.siemens.de

INFORMATION ON CONTENTS:
Telephone +49 89 636-33032 (Press Office)
636-32474 (Investor Relations)
Fax +49 89 636-32825 (Press Office)
636-32830 (Investor Relations)
e-mail press@uk.siemens.de
investorrelations@zf.siemens.de

FOR COPIES PLEASE CONTACT:
e-mail over.inform@mchw.siemens.de
Internet http://www.siemens.de/geschaeftsbericht/order
Telephone +49 89 636-32910
Fax +49 89 636-32908

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Please include postal address and complete order number when ordering.

Concept and coordination
Dr. Christoph Wegener
Siemens Corporate Communications
e-mail christoph.wegener@uk.siemens.de

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Kai Brüninghaus Kommunikationsdesign, Hamburg

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Siemens financial calendar*

Interim report October to December	Jan. 24, 2000
Annual Shareholders' Meeting Olympiahalle, Munich, 10:00 a.m.	Feb. 24, 2000
Ex-dividend date	Feb. 25, 2000
Semiannual Report and Semiannual Press Conference	Apr. 27, 2000
Interim report October to June	July 26, 2000
Preliminary figures for fiscal year	Nov. 8, 2000
Annual Press Conference	Dec. 14, 2000
Annual Shareholders' Meeting for fiscal 2000	Feb. 22, 2001

* Preliminary dates

Siemens Aktiengesellschaft

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