SIEMENS

ANNUAL REPORT **2000**

We are moving...

Siemens – Global Network of Innovation

As one of the world's largest electronics and electrical engineering companies, Siemens enables individuals, corporations and entire countries to take part in the global digital revolution. We operate worldwide, delivering advanced solutions for e-business, mobile communications, manufacturing, transportation, health care, energy and lighting.

...into a

Financial highlights

(in millions of euros)	2000 [1]	1999 [1]	1998 [1]
New orders	83,425	69,537	61,151
Net sales	78,396	68,582	60,177
Net income before extraordinary items	3,381	1,865	1,359
Net income after extraordinary items	7,901	1,865	469
Net cash provided	8,154	5,713	1,998
Net cash used in investing activities	(2,209)	(4,625)	(2,932)
Research and development expenses	5,593	5,236	4,664
Shareholders' equity (September 30)	25,640	17,200	15,488
Employees (September 30, in thousands)	447	443	416

[1] Fiscal year: October 1 – September 30

new world...

* with separate table of contents

...with **high-tech solu**

tions...

OUR products and systems are packed with information technology: from smart, slender mobile phones and advanced factory automation solutions to complete urban transit systems and turnkey power plants. We're also one of the world's largest providers of IT services. With this combination of experience and expertise, we provide our customers with tailored intelligent solutions that help ensure enduring success in today's dynamic business environment.

...e-busi

n e s s . . .

WE have long been a leading player in the electronics business. So it's only natural that we should be setting the pace in the world of e-business as well. We make a range of products that streamline Internet access for end users and provide comprehensive corporate e-business solutions, including software and services. At the same time, we are rapidly giving our customers new options for doing business with us electronically. That's why our message is "We are moving into a new world." Our ultimate aim is to maximize e-business opportunities and benefits – for our customers and ourselves.

...and m-busi

n e s s . . .

WHILE many companies are still struggling to harness the opportunities offered by the Internet, we're driving the evolution from e-business to m-business, for Internet access anytime, anywhere. In fact, Siemens is the only company that can offer a complete range of m-business solutions today. Our wireless networks and Internet-capable mobile phones bring the power of the Net to your purse or pocket, and our experts help customers turn this wireless connectivity into profitable commerce. So when your company or community is ready for m-biz, we'll be ready for you.

...developing **new**

perspectives together.

SIEMENS not only provides products, services and solutions, but also leverages the increasingly digital world to drive its business. We're a global company with local operations in nearly every country in the world. So we understand business, communications and technology from many different perspectives. Our solutions bring people and information together, physically and virtually, so that new ideas and opportunities can arise and advance. That's our way of delivering both a strong return for Siemens shareholders and real progress for the world we all share.

Dear **Shareholder,**

Your Company can look back on a year of unprecedented success, in which we far surpassed our ambitious goals and set the stage to excel again in the year ahead.

Heading the list of outstanding achievements was the record result of €3.4 billion in net income after taxes, an increase of more than 80 percent over the previous year. We not only earned our cost of capital, but also created economic value exceeding €1.5 billion. On top of that, we realized €4.5 billion in aftertax income from extraordinary items, primarily through the public listings of Epcos AG and Infineon Technologies AG.

In another milestone, all our operating Groups were in the black. Following a successful restructuring, Medical Solutions has become one of Siemens' major moneymakers. Power Generation and Transportation Systems also posted positive results. This success demonstrates our ability to engineer turnarounds with a combination of continuous process improvement and visionary innovation tailored to customer needs.

Dramatic growth was a further highlight of the year. New orders rose 20 percent to €83 billion, and sales climbed 14 percent to €78 billion – despite significant divestitures which reduced our sales volume base more than €4 billion. Even with strong growth in Germany, the share of international sales again increased, to 78 percent. For the first time, our U.S. business volume exceeded that in Germany. In the Asia-Pacific region, Siemens is once again growing at rates comparable to those we achieved before the region's recent financial crisis.

We continued to strengthen our business portfolio with the aim of positioning all our businesses as leading players in the global market. Here we made particular progress in the field of process automation and at Medical Solutions. We also have high expectations following our acquisition of companies from Atecs Mannesmann AG; this move will help us become a market leader in the dynamic, high-growth areas of automotive electronics and logistics systems.

Yet another highlight was our successful public listing of both Epcos and Infineon. For us, portfolio strategy is not a one-way street. In addition to making selected divestments, we are continuing to explore our options for acquisitions and cooperative ventures. We are proceeding not dogmatically but pragmatically, making decisions on a case-by-case basis.

In view of the year's record results, we will propose increasing the dividend from €1.00 to €1.40 at the Annual Shareholders' Meeting. To enable our shareholders and employees to benefit from our extraordinary gains for the year, we will also distribute an extra dividend of €1.00 per share. In addition to our longstanding stock purchase plan for employees – established in the late 1960s – we are offering our people a one-time opportunity to buy shares at a 50-percent discount to market value.

The Ten-Point Program to achieve sustainable improvement in profitability, which we launched in July 1998, continues to guide our actions. We have successfully turned all but the final point of the Program into reality, leaving only the public listing of our shares in New York in March of 2001. Yet we will continue to implement the measures the Program specifies for attaining business excellence (*top+*) and optimizing our business portfolio. These goals will always remain on our agenda.

Under the *top+* program, all Company decisions are focused on increasing economic value added – in other words, earning more than our cost of capital. Through systematic benchmarking, our businesses measure themselves against the best in their industries and implement concrete measures to close any performance gaps. These measures encompass the effective management of our assets, quality and innovations, with all processes being focused tightly on markets and customers. Finally, we make sure that a business unit's performance has clear consequences – positive or negative – for its management.

The reshaping of Siemens has now entered a particularly crucial phase. We are networking the Company's entire value chain, internally as well as externally, to include customers, suppliers and partners. As we amplify our traditional core competencies through e-business, we are transforming Siemens into a New Economy company with substance.

I have made it my personal responsibility to ensure that Siemens' transition to an e-company is successful. This transition has five elements:

Our first priority – and this will be vital for our future effectiveness – is the electronic networking and management of our internal knowledge to make us even more efficient and bring our customers greater benefits. As part of this drive, we have begun to systematically channel data from projects implemented by our employees worldwide into one easily accessible knowledge base. Our ultimate goal is to ensure that all of our people can access the Company's unequaled pool of knowledge.

The second element is the electronic networking of our business relationships with customers. E-commerce already accounts for ten percent of our total sales, with this figure expected to quickly reach 25 percent for industrial goods and 50 percent for consumer goods.

Third, we are emphasizing the use of electronic processes in all our purchasing. E-procurement already accounts for ten percent of our annual purchasing volume of €35 billion. Our current target is to increase this figure to 50 percent in the near term.

Fourth, we are adapting our internal processes for end-to-end networking. We have already put in place excellent information technology solutions for managing such areas as research and development, production, logistics, financial reporting and human resources. Our task now is to combine these solutions into a single company-wide electronic system.

Fifth, and finally, we intend to market our e-business know-how to external customers. This will primarily be the job of Siemens Business Services. Last fiscal year, SBS took in €1 billion from providing e-business solutions. We expect to double that amount in fiscal 2001.

E-business presents us with enormous opportunities. It creates transparency, helps systematize complex structures, increases speed and efficiency, and cuts costs. Even more importantly, however, e-business enables us to leverage synergies, focusing our wide range of expertise in electrical engineering and electronics more effectively to the benefit of our customers.

The composition of our business portfolio is based on the conviction that our businesses have better prospects in the Siemens organization than they would on their own. As I said earlier, however, we are not dogmatic in this regard. We will continue to adapt our portfolio to market requirements. All decisions of this kind will be made in the interests of our customers, our employees and our shareholders.

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

Corporate Executive Committee

Siemens

Prof. Peter Pribilla

Dr. Günter Wilhelm
(until September 30, 2000)

Dr. Klaus
Wucherer

Dr. Heinrich v. Pierer
President and CEO

Prof. Dr.
Edward G. Krubasik

Heinz-Joachim
Neubürger

Jürgen Radomski

Dr. Volker Jung

Dr. Uriel J. Sharef

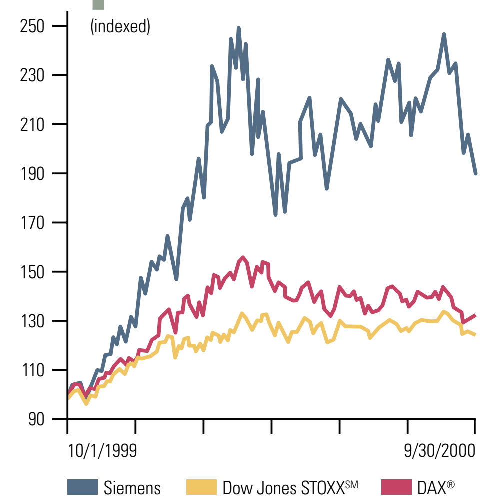
Profits soar 81%

INCOME before extraordinary items surged 81% to €3.38 billion – a record for Siemens.

EVA jumps to 859 million euros

FOR THE FIRST TIME, we earned more than our cost of capital – creating direct value for our shareholders. We increased our economic value added (EVA) €1.52 billion to €859 million.

Stock performance



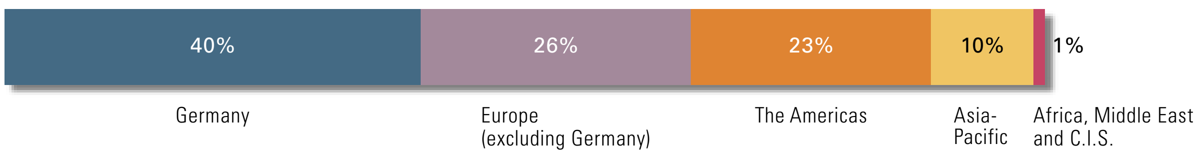
at a glance

Stock market information

(in euros)	2000 [1]	1999 [1]	1998 [1]
Stock price range (XETRA closing prices, Frankfurt)			
High	191.51	86.30	70.87
Low	75.98	40.39	46.17
Year-end	146.00	77.40	47.19
Number of shares (year-end, in millions)	589	595	595
Market capitalization (year-end, in millions of euros)	85,939	46,037	28,068
Per-share data			
DVFA/SG [2] earnings per share	5.07	2.63	1.38
DVFA/SG [2] earnings per share plus amortization charges [3]	5.71	3.09	1.60
Dividend	2.40 [4]	1.00	0.77

[1] Fiscal year (October 1 – September 30)
[2] German Society of Investment Analysts and Asset Managers / Schmalenbach-Gesellschaft
[3] Aftertax amortization relating to goodwill and other purchased intangibles
[4] To be proposed at the Annual Shareholders' Meeting (dividend of €1.40 plus extra dividend of €1.00)

450,000 employees worldwide



SIEMENS HAD 446,800 EMPLOYEES at the end of fiscal 2000 – a year-on-year increase of less than one percent. In Germany, the number of employees declined to 180,000. Today, 60% of our workforce is located outside Germany.

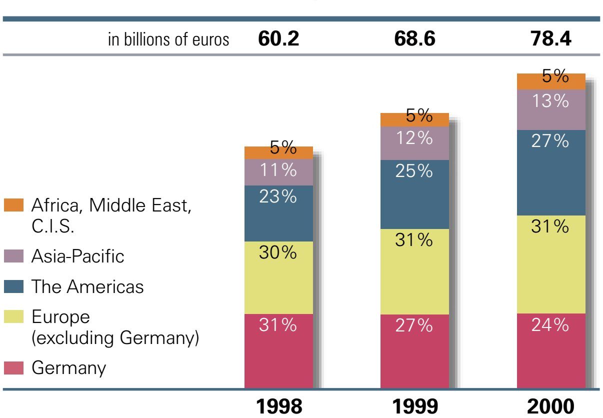
Almost a third of our employees – operating from local sales offices in over 190 countries – provide direct customer support. More than 40% of our workforce is employed in production. Every ninth Siemens employee works in research and development.

12,000 trainees

THIS PAST FISCAL YEAR, Siemens invested around €500 million in vocational training and continuing education. We have 12,000 trainees worldwide. Of these, 80% are preparing for technical careers. The most popular training programs are in industrial technologies and IT systems electronics. Some 170,000 employees took part in training seminars and workshops during the year, while 30,000 trained directly on the job.

www. siemens

Sales by region



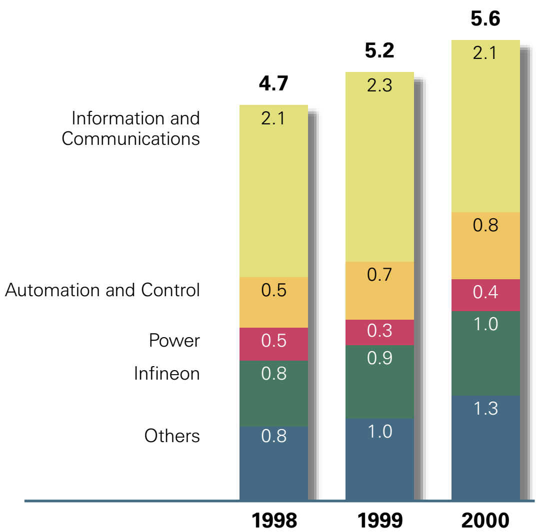
WE HAVE POSTED DOUBLE-DIGIT growth in sales for the second year in a row. The Americas made a key contribution to this result, with sales in the region climbing nearly two-thirds in each of the last two years.

Environmental management systems introduced worldwide

ENVIRONMENTAL PROTECTION means two things for Siemens: it is one of our obligations to society, and it plays a key role in increasing productivity and cutting costs. Our comprehensive environmental management program helps us conserve resources and energy while pushing ahead with new options for recycling.

We have developed uniform global management systems which encompass not only industrial and product-oriented environmental protection but also the transport of hazardous goods, fire prevention and industrial disaster protection. Our goal is to bring environmental management at all our locations into compliance with the ISO 14001 norm.

5.6 billion euros invested in research and development



.com

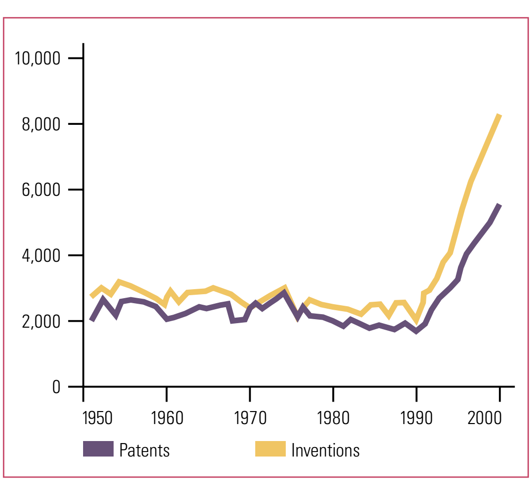
WE GENERATE SOME 75% of our sales with products and solutions developed within the last five years. To make this possible, we invest 7% of our sales in R&D at locations in over 30 countries, with a focus on Germany, the U.S., Austria and Switzerland.

Around 30,000 of our R&D people work on software, much of which is embedded in products and solutions provided by our Information and Communications, Automation and Control, Power, Transportation, and Medical segments.

Prof. Dr. Claus Weyrich
Corporate Technology (CT)

The lion's share of our research outlays in fiscal 2000 flowed into our Information and Communications segment, where we are developing innovations like UMTS, the third-generation wireless communications standard. R&D investments at Infineon reached one billion euros, primarily driven by the further development of its technology platforms and its stronger focus on logic chips.

33 inventions every day



IN FISCAL 2000, our researchers turned out 8,200 inventions – an average of 33 per working day and 10% more than last year. We filed 5,280 new patent applications – 4,100 with the German Patent Office and 870 in the U.S. Altogether, Siemens AG and its subsidiaries around the world currently hold more than 120,000 patent rights.

Patent rights are a key element in business strategy. They create greater leeway for business activities and strengthen competitiveness. Other companies place a high value on Siemens patents, making us an attractive partner for reciprocal licensing agreements. We are strategically expanding our patent portfolio and intensively exploiting all patent licensing opportunities.

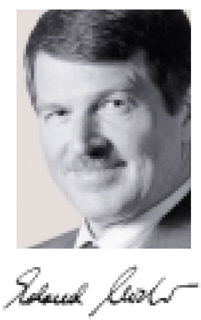
SIEMENS' PORTFOLIO comprises the following business segments: Information and Communications, Automation and Control, Power, Transportation, Medical, and Lighting. The individual Groups within these segments are responsible for their own worldwide operations, with regional units supporting their efforts.

This decentralized structure gives the Groups both wide-ranging responsibility and the ability to nurture the closest possible ties to their customers. At the same time, cross-Group cooperation within the business segments enables Siemens to provide solutions and services that are both comprehensive and customer-focused.

Information and Communications

The Information and Communications segment comprises three Groups: Information and Communication Networks, Information and Communication Mobile, and Siemens Business Services. Our aim is to become the market leader in the mobile communications industry. We are the only company in the world with core competencies in the three fundamental technologies involved: next-generation Internet, wireless communications and advanced electronics. This unique combination enables us to offer the full array of mobile business solutions from a single source, ranging from innovative voice, data and video communications equipment for end users to complete networks, tailored applications and a comprehensive range of services.

INFORMATION AND COMMUNICATION NETWORKS (ICN)



Roland Koch,
Group President

Sales	(in billions of euros)	**11.4**
EBIT	(in millions of euros)	**692**

Information and Communication Networks provides networks and solutions for the next-generation Internet – a prerequisite for mobile business. This makes us one of the three pillars of the mobile business strategy in the Information and Communications segment. Building on our expertise in IP-based solutions for converging voice and data networks, Internet routers, broadband access technologies and optical networks, we are developing products, solutions and services for the Internet of the future. With 220 million lines installed for service providers and more than 70 million lines for corporate customers, we are the world's number one supplier of voice and data networks.

We are rigorously focusing our entire Group's efforts as well as our portfolio on our industry's outstanding business opportunities. Our strategic roadmap to the future is known as "ICN4P": Portfolio + Personnel + Processes = Profitability. We want our business growth to outpace the market, and we aim to further increase our earnings. In concrete terms, this means positioning ICN as a global market leader, particularly in the core areas of IP convergence and broadband access technologies. To achieve this goal, we will expand our presence in the U.S. through acquisitions as well as through organic growth. Two of our subsidiaries are already pursuing this strategy in the U.S. market: Optisphere Networks and Unisphere Networks. The planned IPO of Unisphere is a key element of our growth strategy.

INFORMATION AND COMMUNICATION MOBILE (ICM)

Rudi Lamprecht,
Group President

Sales	(in billions of euros)	**9.0**
EBIT	(in millions of euros)	**758**

Information and Communication Mobile operates in one of the world's most dynamic high-growth markets. As a provider of end-user devices, network technology and solutions, we cover the entire spectrum of wireless communications. The Information and Communication Mobile Group took over the activities of its predecessor, Information and Communication Products, on April 1, 2000. In fiscal 2000, ICM grew sales 75% from €5.1 billion to approximately €9 billion, clearly outperforming the market. We achieved this rapid growth by focusing on the market's three major success factors: speed in all processes, innovation and volume. We intend to become one of the world's top three providers of mobile phones, with 15% of the market. To meet this aim, we are integrating our networks, devices and solutions businesses to create a single Division with a unique market position. In addition, we are significantly expanding our presence in key regions, particularly in the Americas and Asia, as well as growing faster than the market and our competitors.

Our efforts are focused on expanding our market position in GSM networks and accelerating our entry into the markets for next-generation (GPRS and HSCSD) and third-generation (UMTS) mobile communications technology. We are energetically pushing mobile business applications and solutions, which requires a continual expansion of our middleware business as well as close cooperation with content providers and wireless network providers. To bring innovative products and solutions to market faster and to reach high volume in end-user devices, we are entering into strategic alliances with partners such as NEC, Toshiba, Yahoo! and Flextronics, a leading contract manufacturer. We will continue to pursue these strategies in the future.

SIEMENS BUSINESS SERVICES GMBH & CO. OHG (SBS)

Dr. Friedrich Fröschl, President

Sales (in billions of euros)	**5.8**
EBIT (in millions of euros)	**129**

Within Siemens' Information and Communications segment, we are the provider of solutions and services for both electronic and mobile business. Having merged with the IT Service Division, formerly part of our Information and Communication Products Group, we now provide not only a full range of services from consulting to outsourcing, but also additional product-oriented, manufacturer-independent IT services from a single source. We considerably strengthened our presence in the U.S. market by acquiring Entex Information Services, an IT service provider with approximately 4,500 employees.

Additionally, we further expanded our outsourcing business last fiscal year. Together with Britain's National Savings, we received the Private Finance Initiative Award, confirming our expertise in major outsourcing projects. National Savings is a British public authority that arranges government loans for private investors.

Since 1998, we have been rigorously orienting our activities toward e-business applications. Today, we have over 10,000 e-business experts working on projects worldwide, installing Internet-based business processes for banks, public-sector institutions and other industries.

Together with ICN and ICM, we have expanded our offerings in mobile business solutions. We already have application packages for finance and travel, various vertical and horizontal marketplaces, business-to-employee communications and security solutions. Among our successes are WAP (wireless application protocol) applications for the Bank of Ireland and a medical emergency service in Italy.

Quick reaction to market demands, innovative solutions and seamless systems integration are driving our success. To ensure that we stay at the forefront, we are always looking for good opportunities to invest in start-up companies with complementary expertise. This enables us to expand our know-how, while our partners draw on the benefits offered by our global sales network and infrastructure. We have already made such arrangements with young companies in the U.S., France and Germany, strengthening our mobile business and bundling expertise in e-business design, consulting and implementation.

Automation and Control

The Automation and Control segment comprises four Groups: Automation and Drives, Industrial Solutions and Services, Siemens Production and Logistics Systems and Siemens Building Technologies. We are the world's largest supplier of products, systems, solutions and services in the industrial and building technology sectors. We help our customers optimize their business and production processes, enabling them to improve their profitability and efficiency. The Groups cooperate using the latest information technology and thus develop synergies for their four main markets: manufacturing, process, building and logistics automation.

AUTOMATION AND DRIVES (A&D)

Helmut Gierse,
Group President

Sales (in billions of euros)	**7.9**
EBIT (in millions of euros)	**872**

We are the world's market leader in automation and drives as well as the technology leader in most of our product segments. It is our aim to reinforce this position in factory automation, manufacturing control technology, drives, switching systems and electrical installation technology. Our expertise and innovation are bringing us to the forefront in process automation as well.

Innovation is A&D's key to success in the world market. Platform systems such as Totally Integrated Automation enable intelligent products and systems to be developed efficiently and rapidly. Our standardized software tools simplify the integration of information technology for production and business processes, giving our customers and our Group key competitive advantages.

We are continuing to focus on growth in international markets and on profitability. We want to achieve this through our own efforts with innovative products, and with sales and service personnel all over the world providing local customer support. Where we cannot do this quickly enough, we opt for strategic acquisitions and partnerships.

A&D has been active in e-business for over ten years. Our customers can obtain information and order electronically, and receive comprehensive service via the Internet. We have now opened our own as well as independent virtual marketplaces. In fiscal 2000, we processed more than 20% of our business online. We intend to be processing all customer orders electronically by 2005.

In order to improve our position in process automation, we have leveraged the synergies of Totally Integrated Automation to develop the PCS 7 advanced process control system. We have expanded our product range through acquisitions, increased our process know-how, and opened up new markets to make us an attractive partner for our customers and to provide new business opportunities.

INDUSTRIAL SOLUTIONS AND SERVICES (I&S)

Konrad Pernstich,
Group President

Sales (in billions of euros)	**4.4**
EBIT (in millions of euros)	**167**

Industrial Solutions and Services is one of the world's leading suppliers of electrical equipment and drives as well as automation and IT solutions for many different industries and infrastructure systems: metals, mining, paper, oil and gas, marine engineering, airport installations, and traffic control and guidance systems. We also offer a wide range of technical services to customers, around the clock, from more than 300 international locations. Our combination of industrial solutions, IT expertise and technical services enables us to support customer systems throughout their entire life cycles.

As part of their efforts to increase productivity and competitiveness over the long term, our customers need integrated solutions to control production systems faster, more flexibly and more efficiently. Providing this level of integration requires not only mastery of processes and technology, but advanced IT expertise as well. In response to this market development, we are using innovative IT solutions to integrate previously stand-alone hardware, software and automation systems. In this way, we are linking customer production stages that were previously separate, and also connecting the customer's management level with the process level. The goal is an intelligent system. It doesn't matter if the products, systems and technologies are from Siemens or from other suppliers, because our solutions work in multi-vendor environments. Intelligent systems are driving our development as a knowledge-based company that provides both solutions and services. E-business is becoming central to our customers' processes and the worldwide management of our own business processes.

We intend to continue concentrating on important regional markets in Europe, Asia and North America, increasing our local presence and reinforcing the image of I&S as an international, advanced high-tech engineering enterprise within Siemens AG.

SIEMENS PRODUCTION AND LOGISTICS SYSTEMS AG (PL)

Manfred v. Raven,
Group President

Sales	(in billions of euros)	**1.8**
EBIT	(in millions of euros)	**175**

As a systems integrator, we offer a full range of solutions from stand-alone automation systems to turnkey installations. Our activities include the automation of systems for distribution, postal and airport logistics, factory automation, and placement and production systems for electronics manufacturing.

The decision in 1997 to establish a separate Group for production and logistics automation has paid off. PL has achieved solid growth rates and our target markets are developing in our favor. Automation solutions for receiving, manufacturing and distribution processes – once separate activities – are converging. With our Siplace placement machines, we are profiting from the current boom in electronics production, in particular for mobile communications devices. Demand is also high for automation solutions used in supply chain management.

The planned merger of PL and Mannesmann Dematic AG emphasizes our commitment to this sector, where the market is growing at an annual rate of 6% to 8%. Siemens PL and Dematic, a specialist in logistics IT and control systems, and a leader in mechanical engineering, respectively, are an ideal fit. The new company will produce integrated solutions for attractive market segments with high levels of investment in automation. These include the electrical and electronics industry, semiconductor production, the market for providers of postal services, and airport logistics. Our aim is to be world market leader.

We are strongly positioned in the area of comprehensive e-logistics solutions, and are experts at using state-of-the art IT solutions to create seamless interfaces between mechanical and electronic systems. This enables us to meet our customers' requirements for new logistics processes in the Internet age.

SIEMENS BUILDING TECHNOLOGIES (SBT)

Oskar K. Ronner,
Group President

Sales (in billions of euros) **4.9**
EBIT (in millions of euros) **277**

Our Group has developed very successfully in recent years. Thanks to an increase in our market share, sales have been growing annually by around 11%, reflecting high customer satisfaction. Due to a consistent, steady improvement in our business processes, we were able to substantially increase our EBIT. SBT now occupies a leading position on the world market with its systems and services for fire protection and air conditioning.

Following our successful integration into Siemens, we are now concentrating on exploiting our potential for value creation. We have identified electronic security systems – including access control, intrusion protection and video surveillance – as a highly attractive global market. Components for air conditioning and security solutions also have significant growth potential. Therefore, our first priority is to expand our existing activities in these areas. To achieve this, we plan to use e-business as a sales channel, and are offering engineering software and systems-level remote access via the Internet.

We have established an Integrated Building Solutions Division to combine facility management and general contracting for building infrastructures. This move – which will enable us to meet the growing demand for building life-cycle solutions – illustrates a larger Group strategy. On the one hand, our specialized Divisions – cooperating to make integrated offers when appropriate – cover the systems and services markets for building security, fire protection, air conditioning and comfort. On the other hand, we provide a complete range of products for each of these applications.

Power

The Power segment comprises two Groups: Power Generation and Power Transmission and Distribution. These Groups' activities cover the entire array of energy solutions. Power Generation offers efficient, environmentally compatible power generation systems and services, and services for power plant projects. Power Transmission and Distribution – as product supplier, systems integrator and service provider – ensures the safe and efficient transport of electrical energy from power plant to consumer.

POWER GENERATION (PG)

Klaus Voges,
Group President

Sales (in billions of euros) **8.3**
EBIT (in millions of euros) **232**

Power Generation is on course for a successful future. We are focused chiefly on the worldwide market for fossil fuel power plants, which account for around 75% of our business volume. Our takeover of Westinghouse in 1998 gives PG a strong number two position worldwide in this sector and – with our gas turbines in particular – a solid share of the ongoing U.S. energy boom. We intend to maintain our U.S. market share at its current high level and, at the same time, to expand our business in the recovering Asian market and the deregulated energy markets of Europe.

Our Industrial Turbines and Power Plants Division is becoming a world leading end-to-end supplier of turbocompressors and prime movers for industrial processes. Our planned takeover of the Demag Delaval Group is a decisive step in this direction. We are rigorously implementing intelligent IT solutions in our instrumentation and control systems for power plants in deregulated markets – especially in the U.S.

We have funneled our hydroelectric and nuclear power generation activities into joint ventures with strong partners. The new companies are or will be leaders in their sectors.

We are optimizing our business structure to limit risks and significantly increase earnings. To achieve this, we are focusing on supplying services along with our products and systems, and becoming increasingly selective in our choice of major projects. We believe services offer our greatest opportunities for growth and earnings.

Our strategy for the next few years will be to expand the service business extensively by entering into long-term service contracts, forging strategic alliances and making acquisitions. In the middle term, we intend to boost services to 40% of our business.

Our business is also being transformed by digital technology and the e-revolution. Today's power plants are designed on computers. Engineers, business administrators, suppliers and customers exchange ideas via the Internet. Using new e-business applications, we intend to further improve these business processes and cut costs.

POWER TRANSMISSION AND DISTRIBUTION (PTD)

Dr.
Heinrich Hiesinger,
Group President

Sales	(in billions of euros)	**3.3**
EBIT	(in millions of euros)	**149**

Today, innovative products and systems based on electronics, information and communication technologies, and software generate more than 30% of our sales. Services generate 20%. Conventional products like switching equipment and transformers account for only about half of our sales.

To ensure our continued success in deregulated energy markets, we are intensifying and bundling our service business. For example, PTD Services contracts with power utilities to operate their electricity supply networks.

Part of our success strategy is to offer tailormade IT solutions to the energy sector. Therefore, we have established a new business unit that bundles IT solutions from our various Divisions and other Siemens Groups to create customized end-to-end solutions. Cooperative activities with selected software houses are strengthening our business in this area. E-business provides an excellent chance to work even more closely with our customers and to optimize our business processes. Numerous online projects are underway as part of our new e-business initiative.

We are number two worldwide in energy transmission and distribution. Our goal is to grow twice as fast as the market. We intend to maintain our market share in Germany by concentrating even more intensively on its deregulated energy market. Today's power suppliers must concentrate on their core competencies, radically restructure their processes and improve their efficiency. We are supporting our customers' efforts to master the challenges of deregulation. We will continue to focus our international activities on Europe, Asia and the Americas, which offer opportunities for stable growth.

Transportation

The Transportation segment comprises two Groups: Transportation Systems and Siemens Automotive. Both Groups' products and systems are designed to satisfy our society's need for ever greater mobility and to meet growing demands for environmental compatibility and improved performance. We are an important driver in the development of new technologies and solutions; Transportation Systems is a world-leading systems house in the rail industry, and Siemens Automotive is one of the world's largest suppliers of automotive electronics.

TRANSPORTATION SYSTEMS (TS)

Herbert H. Steffen,
Group President

Sales (in billions of euros)	**4.0**
EBIT (in millions of euros)	**85**

Our Group is back in the black. The TS Initiative – the restructuring and productivity enhancement program we launched in 1999 – provided the roadmap for the turnaround. This program has further strengthened our portfolio and paved the way for profitable growth over the long term.

We have increased our stake in Matra Transport to 95%. This French company serves the high-growth market for driverless, unattended mass transit systems and is a leader in the area of fully automated metros. In the rolling stock sector, we have withdrawn from marginal activities such as plastic products manufacturing, optimized processes, and begun to reduce capacities to market-oriented levels. We sold Siemens Scheinenfahrzeugtechnik GmbH, located in Kiel, Germany, and established a strategic cooperation with Alstom to jointly develop and build the next generation of high-speed trains.

We have a solid basis for continued successful development. Our Divisions are in market-leading positions. We are drawing on Siemens know-how for IT and telematics innovations while also building up our railway automation business. In addition, we are firmly established with innovative solutions and systems in other key fields like modular vehicle concepts, services and vehicle leasing. Regionally, we intend to secure our strong position in Europe, while energetically expanding our market share in the dynamic growth regions of the U.S. and Asia. In e-business as well, we are playing a pioneering role in our industry. For example, we have been very successful in leasing locomotives via the Internet under the rubric "Dispolok," and we have set up the Rail Mall as our online shop for spare parts and services. With these concepts, we have set new standards for cooperation between producers and operators – thus improving the quality, increasing the speed and reducing the costs of business processes.

SIEMENS AUTOMOTIVE AG (AT)

Dr. Franz Wressnigg,
Group President

Sales (in billions of euros)	**3.8**
EBIT (in millions of euros)	**91**

Siemens Automotive has made solid progress over the last few years, more than doubling its business volume since 1995. We have considerably expanded our market position, especially in our core business of automotive electrical and electronic systems. Our planned merger with VDO (part of Siemens' acquisition of Atecs Mannesmann AG) will create one of the world's largest suppliers of high-tech automotive electronic systems. Electronics already account for more than 25% of automobile production costs, and the trend is clearly toward increasingly complex solutions – for everything from individual electronic components to complete systems.

Our merged organization will have sales of some €7 billion and around 50,000 employees worldwide. We will focus our product portfolio on electronic modules and systems, thus laying the groundwork for above-average growth in increasingly competitive markets.

AT and VDO are an ideal fit. The combined company will be the world's leading supplier in the fields of driver information, cockpit systems and car communications. We will also have a top position in powertrains, body electronics and security electronics, where our special strengths include engine management, fuel systems, airbag and ABS electronics, access controls and vehicle immobilization systems. Together with VDO, AT will continue to expand its expertise as an innovative, high-performance, globally positioned partner for the automobile industry. "The Internet in every car" is well on its way to becoming a reality.

Together, AT and VDO intend to double overall business volume within five years. By pooling resources in research and development, procurement, production and sales, we expect strong additional earnings potential in the middle term.

Medical

The Medical segment offers products, solutions and services for integrated health care. Its offerings extend from innovative technologies for speedy diagnosis to services that optimize processes and increase efficiency in hospitals and doctors' offices.

MEDICAL SOLUTIONS (Med)

Prof. Dr.
Erich R. Reinhardt,
Group President

Sales (in billions of euros)	**5.1**
EBIT (in millions of euros)	**441**

Innovation and process improvement are driving Medical Solutions' continued growth in sales and earnings. We increase health care efficiency by combining innovative medical engineering with information and communications technology. Two-thirds of our products are less than three years old, and we apply for a new patent almost every day. Growth in information technology for health care applications is in the double-digit range. The strategically important takeover of Shared Medical Systems in Pennsylvania has made us number one worldwide in IT solutions for health care. The acquisition of Acuson has expanded our range of medical technology systems so that we now offer complete solutions from a single source. The Group is also strengthening its position in the key U.S. market.

Parallel to the integration of Shared Medical Systems and Acuson, we are currently expanding our e-health initiative by selling products and services over the Internet. For us, as the largest application service provider, e-health includes managing everything from customer data to all processes related to the prevention and treatment of specific illnesses. Our goal is to be the world's most successful solutions provider in the health care industry.

Lighting

In the Lighting segment, Osram has transformed itself from a conventional light bulb manufacturer into a true high-tech company. Our future lies in electronics, which is revolutionizing lighting technology. We intend to continue our strategy of focusing on innovation and rigorous expansion in new growth areas.

OSRAM GMBH

Dr.
Wolf-Dieter Bopst,
President

Sales (in billions of euros)	**4.3**
EBIT (in millions of euros)	**415**

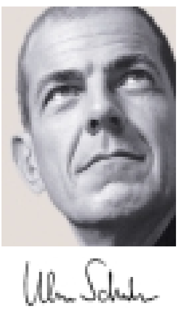
After more than ten years of expansion, we are now the second largest lamp manufacturer in the world. Parallel to our international development, we have continuously boosted our profitability with the help of innovative products and productivity gains.

We have further extended our market lead in automobile lamps. Our takeover of Motorola's lighting electronics business has enabled us to capture a top position in the world market for electronic control gear. Our joint venture with Infineon in the area of opto semiconductors is of major strategic significance – we have high expectations for the development of organic light-emitting diodes. We currently generate 25% of our sales with opto semiconductors, electronic control gear and electronically controlled lamps. By 2005, this share will exceed 50%.

To counteract price erosion, we will continue cost-cutting measures such as optimizing our manufacturing structure. In Japan, we have made further progress through a joint venture with Toshiba Lighting & Technology Corporation.

Our North American subsidiary is the trailblazer for our e-business activities. We have established extranet links with key customers and are concentrating worldwide on B2B opportunities. In addition to optimizing processes, our goal is to further improve our services and the information flow along the entire value chain.

Infineon Technologies AG



Dr. Ulrich Schumacher, President and CEO

Sales	(in billions of euros)	**7.3**
EBIT	(in billions of euros)	**1.7**

The IPO of Infineon Technologies AG on March 13, 2000, was the largest stock issue ever concluded by a high-tech company. In fiscal 2000, we posted sales growth of 72%, placing us once again among the ten leading – and the fastest growing – semiconductor producers. This growth is based on strong chip demand from manufacturers of mobile communication devices, PCs and infrastructure for the Internet and corporate networks. We increased our production capacity, and boosted productivity again by further reducing the size of chip structures. This progress resulted in an excellent operating margin of 23%.

Our record results for fiscal 2000 prove that we are rigorously implementing our growth strategy in the communication and memory chip business. We will further consolidate our outstanding market position by expanding production of logic chips and improving productivity in memory chip fabrication. We expect to be the first company worldwide to achieve substantial cost advantages through industrial production on 300-millimeter silicon wafers. This step forward will free our 200-millimeter production capacity for chips used in UMTS, Bluetooth and xDSL applications as well as smart cards. We are already focusing on research and development in these fast-growing and less cyclical semiconductor markets.

http://www.infineon.com

Financing and

SIEMENS FINANCIAL SERVICES GMBH (SFS)

Dr. Herbert Lohneiß, President and CEO

Sales	(in billions of euros)	**0.4**
Earnings before taxes	(in millions of euros)	**141**

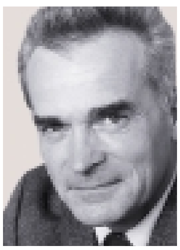
We offer customers in 30 countries an extensive spectrum of financing solutions, including sales and investment financing, treasury and financial services, fund management and insurance services. While our customers are chiefly international industrial and service companies and clients in the public sector, SFS also serves private customers.

As a newly formed, international service Group at Siemens, our main focus is on a growth-oriented strategy for the financial market. We intend to increase the share of our business with customers who are not Siemens partners from 20% to 50% in the middle term. Growth in our business is based on five core elements: making targeted acquisitions; strengthening e-business applications and their corresponding business models; concentrating on core competencies; focusing on profitability and efficient risk management; and implementing the Financial Enterprising™ service model. Financial Enterprising makes it possible to develop – via partnerships – customized service packages that are tailor-made for the financing needs of customers and fulfill the requirements of the sales markets.

Our e-business activities encompass all key cash and payment flows, such as payment transactions, payment processing and financing within Internet marketplaces. We are also orienting internal processes toward new e-business opportunities in such areas as risk management, liquidity management and order processing.

Real Estate

SIEMENS REAL ESTATE (SRE)



Prof. Peter Niehaus,
Managing Director

Sales (in billions of euros)	**1.4**
Earnings before taxes (in millions of euros)	**208**

Since Siemens Real Estate (previously called Siemens Immobilien Management, or SIM) was established in 1994, we have continuously expanded our business volume. In addition, we have substantially improved the Company's cost structure through professional, profit-oriented real estate management, and significantly reduced underperforming assets through the targeted disposal of real estate.

SRE ranks among the world's leading corporate real estate companies, with functional responsibility for approximately 19 million square meters of floor space and 48 million square meters of land having a combined book value of €4.9 billion. Of this total, we have direct commercial responsibility for approximately 11 million square meters of floor space and 23 million square meters of land. Our portfolio comprises office, commercial and specialized real estate at some 900 locations. We offer our customers – lessees, owners and investors – a comprehensive range of professional real estate management services. We develop, lease, operate and finance office and commercial real estate, and provide a full range of building management services.

Maximizing the utilization of surplus real estate – both on our own and via partnerships – will be a stronger focus in the future. Plans call for building a Siemens Technopark in Mülheim, Germany, and for large-scale projects in Munich, Frankfurt and Berlin. The launch of new products – such as Siemens Business Centers in major European cities – and expanded service offerings for external lessees will further increase our earnings potential.

Affiliates

BSH BOSCH UND SIEMENS HAUSGERÄTE GMBH

Dr. Kurt-Ludwig
Gutberlet,
President
(effective Jan. 1, 2001)

Since the early 1990's, BSH Bosch und Siemens Hausgeräte GmbH has achieved strong growth, primarily through acquisitions in Europe, North and South America, and China. Our 35 production facilities, more than 100 companies, and a comprehensive market portfolio give us a solid infrastructure. BSH is market leader in Germany and Europe, and one of the world's three largest manufacturers of household appliances. We intend to consolidate and expand this position in the coming years. Our goal is to be the benchmark in our industry.

We see ourselves as the leading innovator in our industry and have given top priority to our strategic goal of continually extending our strong position.

We are intensifying our focus on advanced communications technologies. Here a critical success factor is the development of high-performance platforms for e-business. In Europe, we are the first white goods company to offer an open B2B platform for our business customers. We are also developing Internet-ready appliances for the smart house of the future.

The BSH 2001 project, which we launched in 1999, is helping us achieve sustainable growth in our profitability – especially by giving our organization a global orientation and introducing EVA-based performance monitoring.

Information for **shareholders**

Next stop...
Wall Street

Dear **Shareholder,**

One year ago I reported to you on the measures being taken by the Managing Board to generate sustainable growth in your Company's profitability. The positive developments at Siemens prove that the Ten-Point Program accurately defined relevant issues and rigorous measures for tackling them. As a result, Siemens is in good shape and we have identified opportunities for further action.

At five meetings during the course of the year, the Managing Board informed the Supervisory Board about the Company's general situation, its key events and corporate plans. Between these meetings, the Managing Board kept us informed about important developments. In addition, as Chairman of the Supervisory Board, I was always kept up-to-date on major topics and decisions.

Successful Epcos and Infineon IPOs

The Supervisory Board paid particular attention to the process of spinning off Siemens' three former components Groups through the sale of Electromechanical Components and the IPOs of Passive Components and Electron Tubes (renamed Epcos AG) and Infineon Technologies AG. All three transactions were completed successfully. Shares of the new companies, Epcos and Infineon, are listed on the Frankfurt and New York stock exchanges and have also been included in Germany's DAX stock index.

Focus on Information and Communications

Our meetings in November and December 1999 and April 2000 focused on the restructuring and strategic outlook of Siemens' largest business segment, Information and Communications. The three Groups in this segment – Information and Communication Networks, Information and Communication Mobile, and Siemens Business Services – have ambitious growth targets which they expect to meet through organic growth and acquisitions. We will follow these developments closely.

All Groups back in the black

In April and November 2000, we received detailed reports on the three Groups which had posted losses in the past: Medical Solutions, Power Generation and Transportation Systems. We are convinced that all three Groups are now positioned to sustain their newly attained profitability.

Medical Solutions has become a major contributor to the Company's earnings. In recent months, the Group has further strengthened its position through acquisitions in the fields of IT-driven hospital services and ultrasound technology.

Power Generation, thanks to its acquisition of the Westinghouse fossil-fuel power plant business, is participating in the booming power plant market in the U.S. and making major progress in its drive to improve efficiency and quality. We expect the Group to return to its former high level of profitability.

Transportation Systems is dealing with a sharply changing market characterized by overcapacity and enormous price pressure. Focusing on its TS Initiative, the Group has made significant progress in improving processes and optimizing capacity.

Additional areas of focus

At our meeting in December 1999, we again reviewed Siemens' preparations for the Year 2000 transition. All preparations were completed in time, and the transition proceeded smoothly. In July and November 2000, we discussed in detail measures being taken in three areas that will have a major impact on the Company's future. One was the conversion of our accounting and financial reporting system to U.S. GAAP, which began with fiscal 2001 on October 1, 2000, and is a prerequisite for the listing of our shares in New York in March 2001. The second focal point was the *top+* program, which – in its continued drive to boost long-term profitability – is now emphasizing quality and innovation management. The third area we discussed was the electronic networking of Siemens and its drive to seize all opportunities offered by e-business.

During the year, we also dealt extensively with the stock option plan for the Managing Board and key senior executives, the repurchase of Company stock, and the current shareholder structure. We support the decision of the Managing Board to offer employees a one-time stock package at half the market price in addition to the Company's longstanding standard stock purchase plan for employees.

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 six times to address matters involving Managing Board personnel and remuneration, questions concerning corporate strategy and business development, and the key processes and major issues relating to the final audit and 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

Siemens' accounting principles, the annual financial statements of Siemens AG and the consolidated financial statements as of September 30, 2000, 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. The financial statements were prepared first according to German Commercial Code (HGB) standards and subsequently – as a prerequisite for the public listing in New York – according to U.S. GAAP.

We also examined the Company's financial 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 €1.40 per share, and that an extra dividend of €1.00 per share also be paid. In addition, we 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 Supervisory Board and Managing Board

There were no changes in the Supervisory Board's composition in fiscal 2000, since its members had been elected to a five-year term at the Annual Shareholders' Meeting in February 1998. On April 26, 2000, Rudi Lamprecht, head of Information and Communication Mobile, was appointed to the Managing Board of Siemens AG. Dr. Uriel J. Sharef, head of Power Transmission and Distribution, was also appointed to the Managing Board on July 26, 2000. On September 30, 2000, Dr. Günter Wilhelm retired after 42 years of service to the Company. Dr. Wilhelm concluded his distinguished career as a member of the Corporate Executive Committee with special responsibility for Power, the Asia-Pacific region, and the *top+* program. We thanked him for his outstanding contributions to the Company. Dr. Uriel J. Sharef and Dr. Klaus Wucherer were appointed to the Corporate Executive Committee effective October 1, 2000.

Berlin and Munich, December 13, 2000
For the Supervisory Board

KH. Baumann

Dr. Karl-Hermann Baumann
Chairman

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 AG Wirtschaftsprüfungsgesellschaft 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 34 of this Annual Report.

Dr. Heinrich v. Pierer	Heinz-Joachim Neubürger
President and Chief Executive	Chief Financial Officer
Officer of Siemens AG	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, 1999, to September 30, 2000. 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, 2000

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wiedmann	Berger
Wirtschaftsprüfer	Wirtschaftsprüfer

(independent auditors)

Management's discussion and analysis

In the financial statements and accompanying charts that follow, we present results for Operations separately from those for Financing and Real Estate and for our Domestic Pension Fund, because these three components of Siemens are distinctly different in terms of goals and requirements.

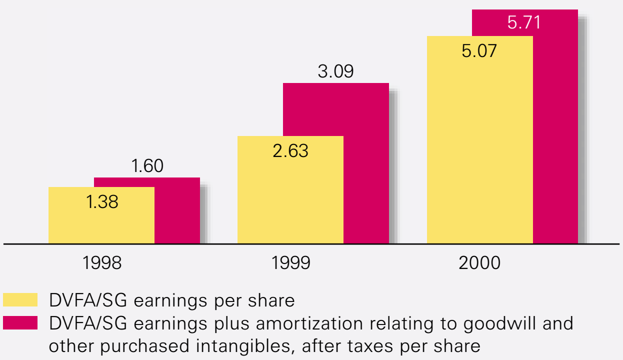
We converted our financial accounting to euros as of the first day of fiscal 2000, and have restated fiscal 1999 results in euros for comparison.

On pages 96 and 97 of the Annual Report, we have included key consolidated information for fiscal 1999 and 2000 according to United States Generally Accepted Accounting Principles (U.S. GAAP) in preparation for our listing on the New York Stock Exchange, scheduled for March 12, 2001.

HIGHLIGHTS

- By a significant margin and a year ahead of schedule, we passed the break-even point relative to our cost of capital. Economic value added (EVA) before extraordinary items climbed €1.517 billion higher than in fiscal 1999, resulting in a positive EVA of €859 million for fiscal 2000.
- Net income before extraordinary items increased 81% to a total of €3.381 billion.
- Earnings per share of €5.07 were 93% higher than in fiscal 1999, as calculated according to the DVFA/SG formula[1]. Earnings per share before amortization relating to goodwill and other purchased intangibles[2] rose 85% to €5.71.
- Earnings before interest and taxes (EBIT) from Operations climbed €2.197 billion, or 74%, to €5.167 billion. EBITDA (earnings before interest, taxes, depreciation and amortization) grew 46% to €8.880 billion, while EBITA (earnings before interest, taxes and amortization of goodwill and other purchased intangibles) increased 71% to €5.542 billion.
- Net cash provided by Operations jumped 48% to €6.845 billion. Net cash from investing activities provided €104 million due to proceeds from the sale of businesses.
- Extraordinary items as defined by the German Commercial Code (HGB) contributed an aftertax total of €4.520 billion. This sum includes gains from our successful IPOs of Infineon Technologies AG and Epcos AG, as well as divestitures of other businesses, including related costs and other extraordinary expenses. Net income including these items totaled €7.901 billion.
- Sales in fiscal 2000 climbed 14% to €78.396 billion, aided by positive currency translation effects of 5 percentage points. On a comparable basis – taking into account the effects of divestments and acquisitions – sales increased 20%. Following the same trend, orders rose 20% to €83.425 billion. On a comparable basis, orders climbed 27%. International business now accounts for 78% of the total.

Earnings per share
(in euros)



[1] German Society of Financial Analysts and Asset Managers/ Schmalenbach-Gesellschaft
[2] Earnings per share according to DVFA/SG plus amortization relating to goodwill and other purchased intangibles per share

DIVESTMENTS AND EQUITY OFFERINGS

In fiscal 2000, we completed a number of major divestments and equity offerings:

- In October 1999, we raised €767 million through the public offering of shares of Epcos AG (our joint venture with Matsushita and our former Passive Components and Electron Tubes Group) on the Frankfurt and New York stock exchanges. Beginning with fiscal 2000, Epcos is accounted for using the cost method. We continue to hold a stake in the business amounting to 12.5% plus one share.
- In November 1999, we sold Siemens Electromechanical Components GmbH & Co. KG (formerly our Electromechanical Components Group) to Tyco International Ltd., resulting in net proceeds of €874 million.
- We sold Siemens Nixdorf Retail and Banking Systems (part of our former Information and Communication Products Group) in December 1999 to a consortium including financial investors Kohlberg Kravis Roberts & Co., LP, and GS Capital Partners III, LP, the private equity arm of Goldman Sachs & Co. This sale resulted in net proceeds of €698 million.
- We sold Vacuumschmelze GmbH (which was a part of our former Passive Components and Electron Tubes Group) to The Morgan Crucible Company plc in December 1999, resulting in net proceeds of €180 million.
- We sold our fiber-optic cable and optical fiber business (part of our former Information and Communication Products Group) to Corning, Inc. of the U.S. in a transaction conducted mainly during February 2000, resulting in net proceeds of €1.107 billion.
- We raised €6.104 billion through the sale of shares of Infineon Technologies AG when they were listed on the Frankfurt and New York stock exchanges on March 13, 2000. Due to our continued ownership of 71% of its shares, Infineon remains consolidated in our financial statements.
- In March 2000, we sold our interest in a Switzerland-based television cable business (which was part of our Information and Communication Networks Group) to NTL Incorporated of the U.S. The net proceeds were €839 million.

We include the results of these transactions in our statement of income as "Extraordinary items" (see page 56).

JOINT VENTURES AND ACQUISITIONS

The divestments described above are one aspect of our broad program of portfolio optimization. We intend to retain only those activities that have a chance of gaining leading competitive positions in their respective markets. For businesses which cannot achieve this aim through their own efforts, we will strengthen them through joint ventures and acquisitions. We completed the following transactions in fiscal 2000:

- In October 1999, Fujitsu Siemens Computers (Holding) B.V., of the Netherlands, the joint venture between the computer business of our Information and Communication Mobile Group (ICM) and Fujitsu Computers Europe Ltd., took effect.
- Also in October 1999, we launched an electric motor joint venture between our Automation and Drives Group (A&D) and Yaskawa Electric Corporation of Japan. A&D also acquired Moore Products Corp. of the U.S. in February 2000 for €180 million, and Milltronics Ltd. of Canada in March 2000 for €242 million. In December 1999, we acquired Vickers Electronic Systems of the U.S. for €45 million.
- In November 1999, we announced the formation of a joint venture by our Information and Communication Mobile Group (ICM) and NEC Corporation of Japan. The joint venture, called "Mobisphere Ltd. – a Siemens and NEC Company," is developing technologies for the UMTS wireless communication system.
- In February 2000, Osram acquired the activities of Motorola Lighting Inc. of the U.S. for approximately US$110 million.
- Siemens Business Services (SBS) acquired Entex Information Services, Inc., an information technology services provider in the U.S., in April 2000.
- In April 2000, Power Generation (PG) entered into a hydroelectric power joint venture with J. M. Voith AG of Germany.
- In May 2000, Information and Communication Mobile (ICM) acquired the mobile communications development operations of Robert Bosch GmbH for €172 million.
- In June 2000, Siemens Financial Services (SFS) acquired Schroder Leasing Ltd. of the U.K. for £90 million.
- In July 2000, Medical Solutions (Med) completed its acquisition of Shared Medical Systems Corporation of the U.S. for approximately US$2.0 billion.

A number of pending portfolio optimization activities are described in "Outlook and subsequent events" on page 54.

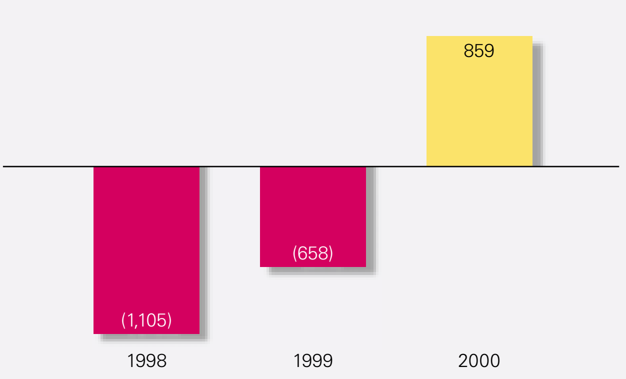
Because the shares of Siemens AG are not yet listed on the New York Stock Exchange, we cannot use them as an acquisition currency when making acquisitions in the U.S. This in turn prevents us from entering into business combinations in the U.S. which could be classified as pooling of interests. Thus our acquisitions in the U.S. are currently recorded using purchase accounting, usually giving rise to recognition of goodwill. Amortization of the goodwill reduces our earnings per share. To allow for easier comparison to companies in our industry that are able to apply pooling of interests accounting, we intend in subsequent reports to show earnings before interest, taxes and amortization relating to goodwill and other purchased intangibles (EBITA) for our segments, rather than earnings before interest and taxes (EBIT).

CALCULATING EVA AND FISCAL 2000 EVA PERFORMANCE

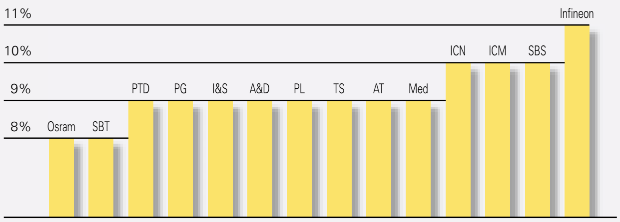
During fiscal 2000, Siemens continued to drive its entire management system enterprise-wide to focus on economic value added (EVA). This includes benchmarking all our businesses against their top competitors worldwide and linking management compensation directly to the EVA performance of the operating Groups as well as Siemens as a whole.

EVA is defined as net operating profit after taxes (NOPAT) minus cost of capital, which represents the minimum return on net capital employed. According to this concept, a business creates value only when it recovers at least its cost of capital and furthermore delivers EVA improvements in line with capital market requirements. Because the three major components of Siemens – Operations, Financing and Real Estate, and Domestic Pension Fund – are fundamentally different from each other, we adjust our calculations of EVA for each one. We use the Operations Concept for Operations and the Finance Concept (RORAC) for Financing and Real Estate and the Domestic Pension Fund. 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 Siemens worldwide (before extraordinary items)
(in millions of euros)



Weighted average cost of capital after taxes for operating Groups



With an EVA of €859 million for fiscal 2000 (on a consolidated basis, excluding extraordinary items), Siemens is now earning significantly more than its cost of capital and delivering demonstrable economic value for shareholders.

- EVA for **Operations** improved substantially, to a positive €774 million. All but one of our operating Groups increased their EVA. The positive change was strongly driven by earnings growth. At the same time, average net operating assets increased only slightly. This enabled Operations to record its first positive result since we began using EVA as our primary performance measure.
- EVA for **Financing and Real Estate** was also positive for fiscal 2000, at €69 million. Judicious asset sales produced a surge in earnings that in turn boosted EVA.
- EVA for our **Domestic Pension Fund** remained in line with its long-term objective, which is not to achieve a high EVA, but rather to earn a return on pension assets that, at a minimum, covers our pension costs excluding annual service costs.

EVA calculation *(in millions of euros)*	2000	1999
Operations		
EBIT	5,167	2,971
Taxes and other	(1,778)	(1,035)
Net operating profit after taxes	**3,389**	**1,936**
Net capital employed	31,699	27,283
Financial adjustments/average calculation*	(4,182)	(23)
Average net operating assets	27,517	27,260
Capital cost	**(2,615)**	**(2,565)**
EVA for Operations	**774**	**(629)**
Financing and Real Estate		
Income from ordinary activities before taxes	349	183
Taxes and other	(119)	(67)
Net operating profit after taxes	**230**	**116**
Equity	1,815	1,815
Capital cost	**(161)**	**(161)**
EVA for Financing and Real Estate	**69**	**(45)**
Domestic Pension Fund		
Income from ordinary activities before taxes	24	25
Taxes	(8)	(9)
Net operating profit after taxes	**16**	**16**
EVA for Domestic Pension Fund	**16**	**16**
Siemens worldwide (before extraordinary items)	**859**	**(658)**

* The term "net operating assets" is basically equal to net capital employed except for the effects of financial adjustments and the fact that we compute full-year net operating assets as the average total of four fiscal quarters with a time lag of one quarter. As a result, the difference between net operating assets and net capital employed in fiscal 2000 is mainly due to the acquisition of Shared Medical Systems Corporation and the payments made in connection with the proposed acquisition of Atecs Mannesmann AG in the fourth quarter.

OPERATIONS

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

Information and Communications

We have realigned this business area – our largest in both sales and earnings – to give each of its three Groups a clearer business focus. All our wireless infrastructure and product activities, including cellular phones, are now combined in Information and Communication Mobile (ICM); all our wireline networking operations and carrier and enterprise products remain in Information and Communication Networks (ICN); and all our information technology (IT) services activities have been funneled into Siemens Business Services (SBS). Note that our financial statements for fiscal 2000 reflect this new alignment, and financial information from the previous year has been restated.

Information and Communication Networks (ICN) increased its EBIT €326 million to €692 million. ICN also reversed its negative EVA in fiscal 1999 with a positive result in fiscal 2000. The Group's strongest earnings contribution came from its Wireline Network Communication and Enterprise Networks Divisions. ICN also benefited from its venture capital investments, realizing gains of €120 million on sales of shares in start-up companies. In addition, ICN enjoyed substantial growth of revenue and earnings from its optical networking business, headquartered in the U.S. EBIT was negatively affected by the acquisitions at Unisphere Networks, Inc. of the U.S., and the ATM business. Sales for ICN rose 15% to €11.412 billion, including 4% growth attributable to the translation of stronger currencies into euros. ICN's net capital employed declined 20% to €3.151 billion, on account of the increasing transfer of its financing activities to Siemens Financial Services (SFS).

Information and Communication Mobile (ICM) more than doubled its EBIT to €758 million in fiscal 2000, despite sharply reduced earnings in the fourth quarter. Component shortages, components purchased at higher spot market prices, and increased marketing communications expenses contributed to this development. The Group's purchases of components in the strong U.S. dollar and Japanese yen also negatively impacted its EBIT. Also in the fourth quarter, ICM incurred one-time charges by selling off discontinued products from the acquired Bosch operations and closing its analog and encrypted phone businesses. ICM improved its positive EVA considerably in comparison to fiscal 1999, based on the strong performance of the Group's mobile phone equipment and infrastructure business. Profitable growth in those areas more than offset a 50% share of losses at the Fujitsu Siemens Computers joint venture. Sales at ICM increased 75% to €8.990 billion, driven mainly by rapid growth in the mobile phone business. Net capital employed increased to €2.675 billion, at a lower rate than sales growth, reflecting ICM's increased use of contract manufacturers.

Siemens Business Services (SBS) achieved an EBIT of €129 million, including gains of about €60 million resulting from transactions relating to the IPO of SAP Systems Integrations, Dresden, in which SBS holds a minority interest. The first-time consolidation and integration of Entex Information Services, Inc. of the U.S. negatively affected the Group's EBIT by about €30 million. SBS also improved its EVA, although a higher cost of capital kept the Group's EVA negative. Net capital employed increased to €1.534 billion in fiscal 2000 from €801 million in the previous year, mainly as a result of winning new outsourcing contracts and the first-time consolidation of Entex. With the addition of Entex, sales for SBS grew 16% to €5.765 billion.

Automation and Control

Automation and Drives (A&D) increased its EBIT 18% to €872 million, and again improved its already high EVA. The Low Voltage Controls and Distribution Division and the Industrial Automation Systems Division made especially strong contributions. This was primarily attributable to volume increases and a shift in the product mix to innovative higher-margin products. Sales grew 12% to €7.946 billion, spurred by strong international markets, a positive currency translation effect of approximately 4%, and the first-time consolidation of acquisitions. Despite new acquisitions totaling €510 million, net capital employed increased €406 million to €2.583 billion.

Industrial Solutions and Services (I&S) increased its EBIT 17% to €167 million while maintaining a positive EVA. The Group's newly formed IT Plant Solutions Division, operating in the high-growth market for industrial information technology, was successful from its inception. Sales rose 7% to €4.392 billion. Net capital employed increased by €164 million, to €543 million, due to lower prepayments by customers.

Siemens Production and Logistics Systems (PL) more than doubled its EBIT to €175 million in fiscal 2000, and substantially increased its already positive EVA. The strong performance of the Electronics Assembly Systems Division, which increased sales volume in all its markets, enabled the Group to significantly improve its EBIT. New orders rose 33% to €1.913 billion, and sales increased 40% to €1.795 billion, as a result of strong market trends for automation solutions and high levels of customer acceptance of an innovative generation of surface mount technology (SMT) placement systems. Net capital employed increased slightly to €558 million.

Siemens Building Technologies (SBT) increased its EBIT 70% to €277 million, and substantially improved its EVA – still burdened by goodwill amortization from its acquisition of Elektrowatt's industrial business – nearly to the break-even point. The Landis & Staefa Division, which provides building control products, solutions and services, made an especially strong earnings contribution by focusing on its product business and improving its service business. SBT also realized a gain of €49 million from asset disposals conducted as part of its asset management efforts. Sales rose 16% to €4.947 billion, primarily as a result of strong demand in the NAFTA and Asia-Pacific regions and a currency translation effect of 6% associated with the Group's operations denominated in the strong U.S. dollar.
By reducing fixed assets, SBT reduced its net capital employed 4% to €2.241 billion.

Power

Power Generation (PG) improved its EBIT to €232 million, and also posted a positive EVA. PG made solid progress in meeting technical challenges with its new gas turbine technology, while achieving high capacity utilization at its Fossil Power Generation Division due to the strong demand for gas turbines, particularly in the U.S. This trend also enabled PG to increase new orders 34% to €9.409 billion. Sales of €8.270 billion benefited from a currency translation effect of 7%, primarily due to the Group's extensive operations in the U.S. Sales grew 4% compared to the previous year, a period in which PG billed several major projects. The demand for gas turbines in the U.S. led to a higher level of customer prepayments, enabling PG to reduce net capital employed 78% to €353 million.

Power Transmission and Distribution (PTD) increased its EBIT 17% to €149 million and recorded a positive EVA. The Group improved its cost structure through benchmarking projects. Major projects drove new orders up 22% to €3.566 billion, while sales rose 2% to €3.313 billion, including a positive currency translation effect of 4%. Several small acquisitions increased the Group's net capital employed 32% to €784 million.

Transportation

Transportation Systems (TS) turned a loss of €62 million in fiscal 1999 to a positive EBIT of €85 million in fiscal 2000, and also posted a positive EVA. The Group achieved this turnaround by focusing on higher-margin projects and reducing costs through productivity improvement programs. Higher customer prepayment rates helped the Group keep its net capital employed negative. New orders increased 19% to €3.722 billion, largely due to major international projects. Sales rose 35% to €3.996 billion.

Siemens Automotive (AT) posted an EBIT of €91 million, down 43% from the previous year, and a negative EVA. Significant R&D investments in such innovative projects as advanced diesel injection systems at the PowerTrain Division and navigation systems at the Body Electronics Division were responsible for these results. Through the continuing sale of receivables to Siemens Financial Services (SFS) and intensified management of other working capital items, AT reduced its average net capital employed. Sales for the fiscal year increased 18% to €3.839 billion, despite a softening of the automotive market in the second half of the fiscal year. Sales growth was spurred by demand in international markets, especially in the NAFTA region, and a positive currency translation effect of 6%.

Medical

Medical Solutions (Med) increased its EBIT 31% to €441 million, and also improved its EVA significantly. Innovative imaging systems and solutions as well as hearing instruments drove this improvement. With significant operations in the U.S., Japan and Britain, Med's EBIT benefited also from the increasing strength of the currencies in those countries. Strong market demand, particularly in Japan and the NAFTA region, together with the consolidation of Shared Medical Systems in July 2000, helped increase sales 24% to €5.061 billion. The strategically important acquisition of Shared Medical Systems increased the Group's net capital employed compared to the previous fiscal year. Currency translation effects contributed 9% to sales growth and €26 million to EBIT improvement.

Lighting

Osram increased its EBIT 19% to €415 million, and posted a considerable improvement in EVA. New products with higher margins, notably in the Automotive Lighting Division and Photo-Optics Division, made a strong contribution. Sales increased 18% to €4.327 billion, driven by strong growth in innovative sectors such as photo-optics, opto semiconductors and electronic control gear for consumer lighting. Osram increased its net capital employed 20% to €2.584 billion, mainly because of its acquisition of Motorola Lighting Inc. in February 2000. Currency translation effects, relating primarily to the U.S.-based Osram Sylvania operations, contributed 10% to sales growth and €25 million to EBIT improvement.

Infineon

Following the initial public offering of **Infineon Technologies AG (Infineon)** in Frankfurt and New York in the second quarter of fiscal 2000, Siemens owns approximately 71% of Infineon shares and continues to consolidate Infineon in its financial statements. Infineon's results are reported according to U.S. GAAP in our segment information. For the fiscal year, Infineon recorded the highest EBIT and EVA among all of Siemens' Operations. EBIT of €1.670 billion far surpassed the previous year's negative EBIT of €13 million. This performance was based on significant productivity gains and margin improvements in all market segments. Earnings growth more than offset increased depreciation and amortization expenses resulting from capital expenditures to expand production capacity. Strong demand for semiconductors and higher market prices helped increase sales 72% to €7.283 billion. Higher capital expenditures increased Infineon's net capital employed 41% to €5.709 billion.

For more detailed information, see Infineon's annual report.

Eliminations and other

EBIT for other items (see "Segment information" on page 63) decreased €1.140 billion to a negative €986 million. This major change compared to fiscal 1999 is attributable to: substantial gains from the sale of securities; higher corporate overhead costs primarily related to portfolio measures and the conversion to U.S. GAAP; compensation costs arising from the first-time introduction of our stock option plan; higher compensation costs related to our regular employee stock program; and the centrally recorded impact of presenting Infineon's financial statements in accordance with U.S. GAAP. "Other" items include centrally recorded investments (such as Epcos AG and BSH Bosch und Siemens Hausgeräte GmbH); business units (such as Siemens Solar GmbH) that are not part of any operating Group; liquid assets of Operations; and activities from our foreign subsidiaries which are not allocated to the operating Groups. The €1.560 billion increase in net capital employed, to a total of €4.815 billion, was largely due to higher liquid assets resulting primarily from the capital raised by the IPO of Infineon. Another major factor was our first payment for the acquisition of Atecs Mannesmann AG (discussed in "Outlook and subsequent events" on page 54). These factors were partially offset by Siemens Real Estate (SRE) assuming responsibility for properties in Western Europe and the United States.

FINANCING AND REAL ESTATE

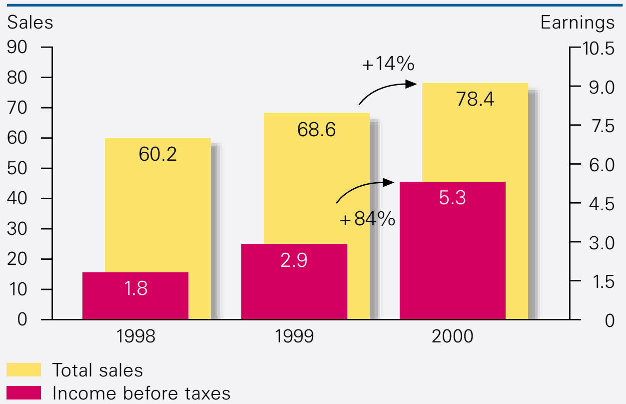
Siemens Financial Services (SFS) increased pretax earnings €66 million to €141 million, and also posted a positive EVA. Both results are primarily attributable to continuing operations. Earnings increases were mainly driven by the Equipment Sales and Financing Division, based on higher volumes in lease financing and factoring activities. On September 30, 2000, SFS had total assets of €19.644 billion, mainly in equipment leasing, corporate treasury activities, purchased receivables and equity stakes in infrastructure projects. The acquisition of Britain's Schroder Leasing Ltd., enables SFS to expand its range of leasing products and other financing instruments. The acquisition also signals the entry of SFS into the highly attractive small-ticket market. This market is expected to offer higher margins and further risk diversification as SFS expands its customer base.

Siemens Real Estate (SRE) increased income before income taxes 93% to €208 million, and achieved a highly positive EVA. Earnings for the fiscal year included gains of €154 million from the disposal of real estate. By taking control of Siemens' real estate in Western Europe and the United States, SRE increased sales 22% to €1.410 billion. The transfer of properties from Operations to SRE increased the amount of floor space and land under management to approximately 11 million square meters of floor space and 23 million square meters of land. Real estate assets accounted for €2.794 billion of SRE's total assets of €3.233 billion.

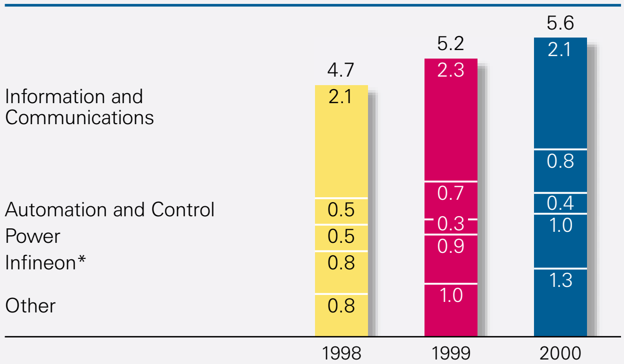
CONSOLIDATED STATEMENTS OF INCOME

Earnings before interest and taxes (EBIT) from **Operations** improved €2.197 billion to €5.167 billion in fiscal 2000. Gross profit on sales from Operations increased 19% to €23.159 billion. This reflects an increase in the operating margin (ratio of gross profit on sales to net sales) of 1.3 percentage points, to 30.2%. In addition, EBIT for Operations was driven by the turnarounds at PG and TS as well as by substantially higher profitability at Infineon and ICM.

Sales and earnings
(in billions of euros)



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



* 1998, 1999: Components

Research and development expenses rose to €5.593 billion in fiscal 2000. As in the previous year, R&D spending represented around 7% of sales. We made our largest R&D investments in our Information and Communications Groups, such as for developing network products for UMTS wireless technologies. R&D investments at Infineon reached €1.025 billion, largely to give greater priority to logic chips (ASICs) and to advance the Group's technology platforms. Other significant investment targets were driver information systems and diesel common rail technology at AT, and diagnostic imaging technologies such as computed tomography and magnetic resonance imaging at Med.

Marketing and selling expenses in Operations increased 6% to €10.374 billion, while declining as a percentage of net sales from 14.5% in fiscal 1999 to 13.5% in fiscal 2000. General administration expenses totaled €3.129 billion, or 4% of sales, a slight increase compared to fiscal 1999. Other operating income of €768 million more than offset other operating expenses of €455 million. Other operating expenses mainly included the impact of goodwill amortization from acquisitions, which totaled €375 million in fiscal 2000 compared to €268 million the previous year.

Income from investments in other companies increased sharply to €494 million, reflecting the improved profitability of most companies in which we hold equity stakes. An exception was Fujitsu Siemens Computers (Holding) B.V. of the Netherlands. Income from financial assets and marketable securities dropped sharply as compared with fiscal 1999, when – as part of our asset management program – we realized substantial gains from the sale of securities. Interest income from Operations improved, primarily due to increased interest revenues generated by higher average liquid assets. The reduction in other interest expense was due to higher interest income as a result of increased net cash provided by Operations.

Income before income taxes for **Financing and Real Estate** almost doubled in fiscal 2000 to €349 million. Sales grew 23% to €1.764 billion, predominantly attributable to real estate property leases at Siemens Real Estate (SRE) and operating leases at Siemens Financial Services (SFS). Higher one-time gains on property sales, which we sold as part of our overall asset management program, also boosted earnings at SRE. The overall increase of €97 million in interest income at Financing and Real Estate was mainly produced by a strong increase in interest income at SFS from a higher asset base.

Income before income taxes in the **Domestic Pension Fund** declined slightly to €24 million in fiscal 2000. We are thus meeting our objective for the Domestic Pension Fund, which is to balance income and expenses. In anticipation of adopting U.S. GAAP for the consolidated financial statements, we have adjusted the domestic pension obligations in fiscal 2000 to the internationally used projected unit credit method. This adjustment results in a sharp increase in domestic pension accruals. The corresponding expense of approximately €1.3 billion before tax is reflected in extraordinary items rather than in the Domestic Pension Fund, because the adjustment is a one-time effect not resulting from the ordinary cause of business.

For **Siemens worldwide**, income before income taxes and extraordinary items increased sharply in fiscal 2000 to €5.289 billion, compared to €2.870 billion a year earlier. The effective tax rate on income from continuing activities before taxes and extraordinary items in fiscal 2000 was 36%, slightly higher than the 35% level in 1999. Net income before extraordinary items advanced 81% to €3.381 billion, compared to €1.865 billion in fiscal 1999. This resulted in a 93% increase in earnings per share to €5.07, as calculated according to the DVFA/SG formula. Earnings per share before amortization relating to goodwill and other purchased intangibles after taxes rose 85% to €5.71.

Fiscal 2000 net income increased significantly to €7.901 billion, due to extraordinary items. The value shown for extraordinary items of €4.520 billion includes not only net gains from the divestments and equity offerings listed on page 40, but also costs arising from other one-time events which are described in the notes to the financial statements (see page 74).

New orders for Siemens worldwide increased 20% to a total of €83.425 billion for fiscal 2000. The comparable growth rate, adjusted for changes in consolidated entities, was approximately 27%. Currency translation effects, primarily related to the weak euro, had a positive effect of about 5%. While domestic orders decreased on an absolute basis due to divestment activities, they grew 12% on a comparable basis. New international orders continued to grow at double-digit rates, reaching 32% on a comparable basis. All major trade regions showed double-digit growth, including 22% in Europe and 39% in the Americas. The pace was even faster in the Asia-Pacific region, where orders increased 54%.

Sales in fiscal 2000 grew to €78.396 billion, an increase of 14% compared to the prior year. On a comparable basis, sales grew 20% year-over-year. The portfolio and currency effects described above for new orders apply comparably to sales. Geographic trends were also analogous, with international sales outpacing domestic sales and showing strength across all regions.

DIVIDEND

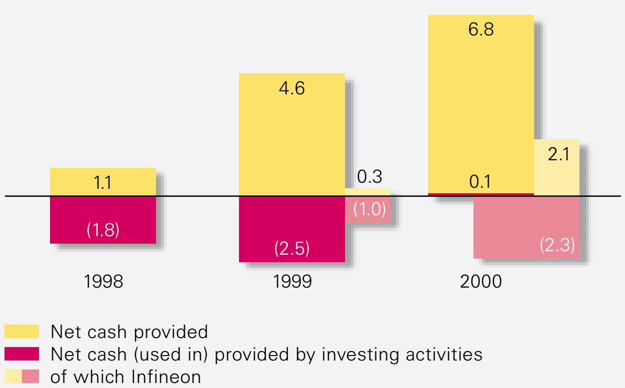
Siemens AG, the parent company, showed a net income of €1.927 billion for fiscal 2000, compared to €1.793 billion in the previous year.

We transferred 27% of the net income for fiscal 2000 (€516 million) to retained earnings. At the Annual Shareholders' Meeting scheduled for February 22, 2001, the Managing Board – in agreement with the Supervisory Board – will submit the following proposals:

- to pay €1.40 per share as an ordinary dividend,
- to pay a bonus of €1.00 per share on account of the extraordinary income of the Company.

Both payments will lead to a payout of €1.413 billion. We plan to carry forward the amount attributable to treasury stock.

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



CONSOLIDATED STATEMENTS OF CASH FLOWS

Net cash provided by **Operations** for fiscal 2000 was €6.845 billion, an increase of 48% compared to fiscal 1999. Net cash from investing activities provided €104 million, mostly from the unusually high level of divestment activity. Excluding Infineon, net cash provided reached €4.765 billion and net cash provided from investing activities rose to €2.431 billion.

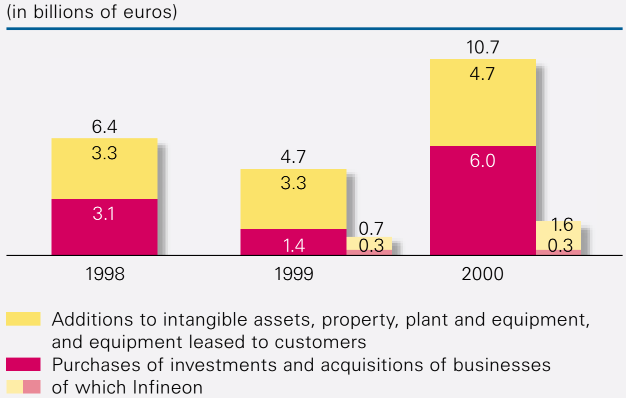
The substantial increase in net cash provided by Operations resulted from a combination of factors: 82% growth in income after taxes before extraordinary items to €3.142 billion, and continued emphasis on asset management. Within working capital, the increase in advances received from customers and in liabilities more than offset the increase in accounts receivable and inventories related to unbilled contracts.

Additions to intangible assets, property, plant and equipment, and equipment leased to customers from Operations increased €1.429 billion to €4.701 billion. Infineon alone accounted for €1.614 billion of the total. The significant increase in purchases of investments, to €2.899 billion, came mainly from the first payment for Atecs Mannesmann AG. The increase in acquisitions of businesses resulted primarily from our acquisition of Shared Medical Systems Corporation of the U.S. At €10.352 billion, proceeds from the disposal of long-term investments include numerous divestments and the public offerings of Infineon and Epcos. These proceeds contributed to an increase of €4.952 billion in cash and cash equivalents for **Siemens worldwide** since September 30, 1999. Most of the total is included in Financing and Real Estate due to the enterprise-wide cash pooling managed by SFS.

Net cash provided by **Financing and Real Estate** benefited mainly from the increase in income after taxes before extraordinary items, to €223 million, and a €413 million decrease in accounts receivable at Siemens Real Estate (SRE). Acquisitions of businesses rose €149 million, reflecting the acquisition by SFS of Schroder Leasing Ltd. Net cash used in investing activities rose also, as SFS expanded its financing receivables by €2.081 billion and continued to take over customer financing activities previously handled by Operations. Typically, the customer financing functions that SFS performs result in cash consumption, which drives net cash used in investing activities. Additions to intangible assets, property, plant and equipment, and equipment leased to customers remained flat for Financing and Real Estate. Overall, the effect of net cash provided and net cash used in investing activities totaled a negative €1.296 billion.

Net cash provided by the **Domestic Pension Fund** was reduced €614 million, mainly because of lower returns on plan assets. In the prior year, higher returns were recorded to compensate for the nonrecurring charge due to the adoption of updated mortality tables. Domestic Pension Fund investments in noncurrent marketable securities were not significant.

Capital spending (Operations)
(in billions of euros)



Net cash used in financing activities for **Siemens worldwide** increased, due to stock repurchases of approximately €1 billion, payment of dividends, and other repayment in debt. These factors more than offset the proceeds from issuance of debt, especially the issuance of the €2.5 billion exchangeable notes on shares of Infineon Technologies AG.

CONSOLIDATED BALANCE SHEETS

Total assets of **Operations** increased €8.402 billion to €51.471 billion. Noncurrent assets were up €3.467 billion, driven mainly by an increase of intangible assets resulting from goodwill acquired by the acquisition of Shared Medical Systems. As a result, the ratio of noncurrent assets to total assets remained flat at 40%. The increase of €3.282 billion in gross inventories was nearly offset by higher advances received from customers, primarily at Power Generation. The increase of €3.481 billion in accounts receivable and miscellaneous assets to €21.486 billion was largely attributable to making the first payment for our acquisition of Atecs Mannesmann AG. Liquid assets associated with Operations stood 51% higher than at the end of fiscal 1999. This increase in liquid assets resulted primarily from the capital raised by Infineon through its IPO.

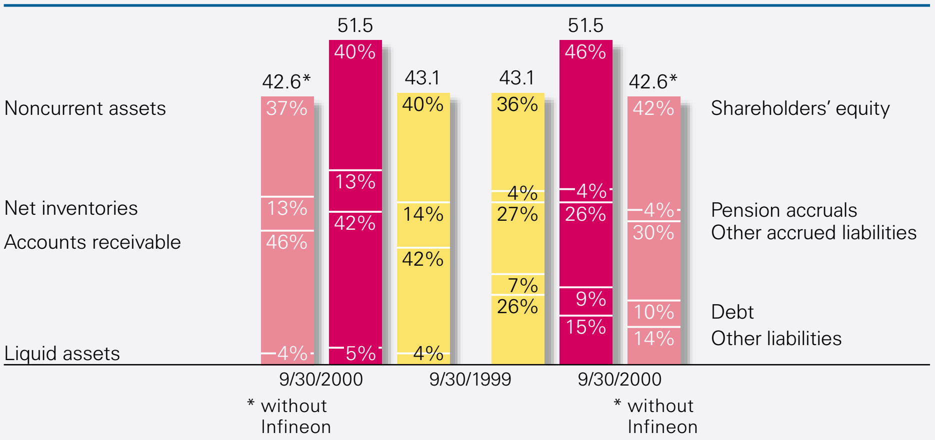
The increase in other accrued liabilities relates in part to obligations associated with our divestment program, as well as to the announced global stock ownership program for our employees, which is associated with the year's high extraordinary income.

Debt increased €1.638 billion to €4.652 billion due to debt assumed in our recent acquisitions. In addition, on August 10, 2000, Siemens Nederland N.V. issued €2.5 billion 1% guaranteed exchangeable notes due in 2005. The notes are exchangeable into ordinary registered shares (with no par value) of Infineon, enabling us to address a different investor base. For this reason, the exchangeable debt is shown in Operations.

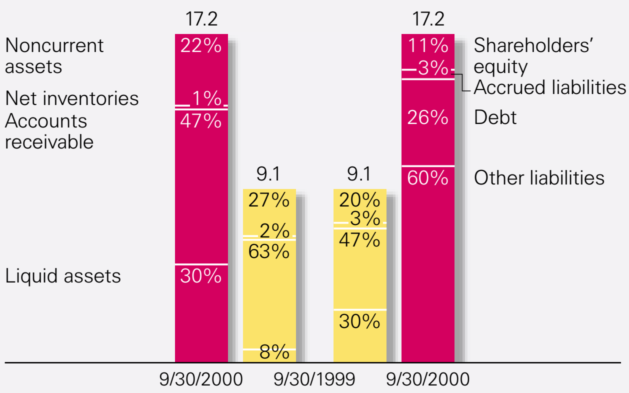
The increase in equity of €8.440 billion offset the growth in debt, resulting in no change in our debt-to-equity ratio of 0.20 to 1. Excluding Infineon, the debt-to-equity ratio was 0.24 to 1. Equity as a percent of total assets within Operations was 46% at the end of fiscal 2000, up from 36% at the end of fiscal 1999. This figure reflects the currently high equity level within Operations.

Total assets of **Financing and Real Estate** climbed €8.139 billion, driven primarily by an increase of €4.522 billion in liquid assets from our divestment program and an increase of €2.401 billion in financing receivables and miscellaneous assets. The increase in financing receivables reflects several factors: first-time consolidation of Schroder Leasing Ltd., growth in our mid-market financing business, and the concentration of financing activities within SFS that were previously included in Operations. In addition, total assets of Financing and Real Estate rose by €1.057 billion due to the transfer of property, plant and equipment assets from Operations to SRE. Debt levels remained virtually unchanged.

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



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



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 available €1.5 billion and US$1.6 billion commercial paper programs as well as a €3.5 billion medium-term note program. At the close of the fiscal year, the amount outstanding under the commercial paper and the medium-term note programs totaled €2.202 billion. 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. We did not utilize any of our available backup facilities in fiscal 2000.

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.

While the book value of our **Domestic Pension Fund** assets remained virtually unchanged from the end of fiscal 1999, their market value increased €1.7 billion to €12.6 billion and exceeded the pension obligation by €2.1 billion. Adoption of the U.S. GAAP liability computation for establishing the domestic pension accruals under German GAAP has increased the pension obligation €1.219 billion to €10.538 billion.

As part of our conversion to U.S. GAAP for ongoing financial reporting on October 1, 2000, we have created a pension trust to fund our domestic pension obligation. The trust, funded with our existing Domestic Pension Fund assets, took effect as of March 31, 2000. The establishment of the Pension Trust has no impact on accounting in accordance with German GAAP.

Shareholders' equity for **Siemens worldwide** was €25.640 billion, up from €17.200 billion at the end of fiscal 1999. This change was driven primarily by the impact of higher net income from ordinary activities and extraordinary items partially offset by the repurchased shares in the amount of €1 billion. In addition, a former negative amount of translation adjustment in fiscal 1999 changed to a positive €1.191 billion, mainly as a result of the weak euro.

STOCK OPTION PLAN AND REPURCHASE OF STOCK

At the Annual Shareholders' Meeting in 1999, shareholders authorized Siemens to establish a stock option plan. This plan makes available up to 10 million options corresponding to the same number of shares, representing approximately 1.7% of the total shares outstanding. The option grants are subject to a two-year vesting period, after which they may be exercised for up to five years. Options can be exercised only if Siemens' share price exceeds a reference index (the Dow Jones STOXX℠) by a percentage that escalates annually during the five-year period after the vesting period. In fiscal 2000, we made option grants to approximately 500 key executives, totaling 1,181,000 shares, setting the strike price at €86.60 and the commencement of the vesting period at November 4, 1999.

We have introduced this plan in order to ensure alignment between management and shareholder interests as well as to provide a means to attract and retain key employees on a worldwide basis. A consequence of the current plan design is that it triggers expense in the corporate income statement. This puts us at a disadvantage relative to most international competitors, particularly in the U.S., because it forces us to be more restrictive with the number of participants and the level of stock option grants. In order to overcome this limitation, we plan to seek shareholder approval at the Annual Shareholders' Meeting in 2001 for a stock option plan which rectifies this situation. This would not be necessary if the international playing field were leveled by ensuring that the accounting for stock option plans was neutral relative to plan structure.

At the Annual Shareholders' Meeting in 2000, shareholders again authorized Siemens to repurchase Company stock. Repurchased shares may be used to list Siemens shares on foreign stock exchanges where they are not yet traded, make strategic acquisitions, or reduce our capital stock. The stock repurchase authorization is legally limited to 10% of Siemens capital stock, or 59,479,094 shares. At its meeting on April 25, 2000, the Managing Board of Siemens AG approved an initial stock repurchase fund of €1.0 billion, and the shares were reacquired from May 2000 to July 2000. Overall, we repurchased 6,183,000 shares and reduced our capital stock 1% to 588,607,940 shares.

RISK MANAGEMENT

Within its worldwide activities in the electrical engineering and electronics industry, Siemens is exposed to a number of risks that arise in the ordinary course of its business. Our risk management policy is to take advantage of opportunities while taking on only those risks that are necessarily associated with creating economic value. Risk management is therefore an integral part of our business processes and decisions.

The risk management policy is governed by the Managing Board and executed by the Groups' 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.

To measure, monitor and manage our exposure to risk, we use a variety of management and control systems, including an enterprise-wide strategy and planning process. The business targets and risk control measures are monitored during the year through our existing control systems and processes. In this manner, the Managing Board and the Supervisory Board are kept informed on material risks on a timely basis.

Our internal auditors regularly review the adequacy and efficiency of our risk management and control systems.

The main risks associated with our business operations are:

Business risks. The worldwide markets for our products are highly competitive in terms of pricing, product and service quality, development and introduction time, customer service and financing terms. Siemens faces downward price pressures and aggressive competitive pricing, especially in the businesses of the Information and Communications Groups (I&C), and is generally exposed to potential market downturns or slower growth, particularly in the highly volatile semiconductors business of Infineon, the mobile communications market of ICM and the automotive supplier market of AT. From a technological perspective, we experience rapid and significant changes due to the introduction of new technologies. This is especially true for our I&C Groups and Infineon, where, for example, we must develop marketable components, products and systems for the new generation of mobile wireless communications technology (UMTS).

To maintain a high level of innovation and competitiveness, we are continuously executing divestitures, acquisitions, strategic alliances and joint ventures. Transactions such as these are generally inherently risky because of the challenges of integrating people, operations, technologies and products. To counter these risks we employ defined M&A and post-merger processes, and also make use of external consultants and advisors.

Operational risks. Within many of our operating units, including PG, PTD, TS, the I&C Groups and I&S, we are engaged in large and complex infrastructure projects. In such projects, the risks include unexpected technological problems, unforeseen developments at project sites, problems at our partner companies or logistic difficulties. This may lead to cost overruns or penalties.

We also have production facilities all over the world with a high degree of organizational and technological complexity. Therefore, we face risks of problems within our value chain processes such as operational failures, quality problems or potential product, labor safety or environmental risks. We have to deal with such risks, for example, in connection with the demands resulting from high growth targets in our ICM operations.

To counter operational failures, we have established a comprehensive set of policies and procedures relating to project and quality management, product and labor safety, and environmental protection. We also continuously develop and refine our production processes and technologies, rigorously maintain our facilities and train our employees.

Supplier risks. We rely on third parties to supply us with parts, components and services. Using third parties to manufacture, assemble and test our products reduces our control over manufacturing yields, quality assurance, delivery schedules and costs. We try to counter these risks by monitoring our supply markets, working closely with our suppliers and using long-term supplier agreements. Given continued economic growth in major world markets and an associated increase in demand for electrical and electronics components, component supply delays can affect the performance of certain of our operating units.

Financial risks. Due to our global business activities, we are exposed to currency risks, especially with respect to the U.S. dollar. These risks – as well as interest risks – are hedged on a Company-wide basis using derivative financial instruments. Exchange rate and interest rate fluctuations may, however, influence our results. A revaluation of the euro against the U.S. dollar changes our competitive position. We try to counter these risks with natural hedges, which include using local supplies, production facilities, or financial resources.

We are also exposed to credit risks because we provide various forms of direct or indirect financing to our customers. This includes both large projects and smaller orders, such as equipment leasing. Infrastructure projects often require supplier financing involving credit and country risk. Additionally, in the future, the financing of UMTS wireless network equipment for customers who lack established credit histories may cause special credit risks for us. Aside from specific risks associated with project financing, we may experience general financial risks including delayed payments from customers or difficulties in the collection of receivables, especially in emerging markets or when customers are start-up companies. To monitor and administer these credit risks, we have refined our project financing process and improved our credit assessment, and we emphasize the importance of effective receivables management on an enterprise-wide basis.

Human resources risks. Competition for highly qualified management and technical personnel is intense in the industries in which our business units operate. This is especially relevant in connection with employees with scientific, technical or industry-specific knowledge for the development of new technologies and products for the I&C operations and Infineon. In many of our operations we also intend to extend our service businesses significantly, for which we also need qualified personnel.

Therefore, our future success depends in part on our continued ability to recruit, assimilate and retain qualified management and other technical personnel. To attract and retain our personnel we maintain intensive contact with universities and provide internal qualification programs, attractive remuneration systems and new-hire integration programs.

OUTLOOK AND SUBSEQUENT EVENTS

Beginning with fiscal 2001, Siemens will present consolidated financial information according to U.S. GAAP. Therefore, all projections for fiscal 2001 are based on U.S. GAAP.

Our expectations for the year can be summarized as follows:

- There is good reason to assume that new orders and sales will once again show stronger growth than the industry average.
- We expect that net income will also grow somewhat faster than sales in fiscal 2001. We will make every effort to further improve our profitability – building on the results reached in the past fiscal year before extraordinary items.

These estimates are in line with the prognoses of research institutes and investment banks, which anticipate that macroeconomic conditions will have a somewhat dampening effect on growth in our industry in the coming months. Higher oil prices, increasing interest rates and a trend toward a stronger euro may slightly weaken the growth climate. We assume that we will be able to more than offset these trends through organic growth and acquisitions.

We devote considerable attention to risk management. Special attention is paid to the cyclical chip market and to bottlenecks in the delivery of components for our mobile phone business. We have developed and initiated appropriate strategies to counteract these risks.

In order to fully evaluate our opportunities for fiscal 2001, one must also take into consideration transactions that have already been announced but were not completed in fiscal 2000:

- In April, we made an offer to acquire Atecs Mannesmann AG jointly with Robert Bosch GmbH (Bosch). The European Commission has already approved the takeover of four Atecs companies by Siemens: Mannesmann VDO AG, Mannesmann Dematic AG, Mannesmann Sachs AG and Mannesmann Demag Krauss-Maffei AG. The European Commission approved the deal on the condition that part of Atecs' postal automation business be divested. To comply, Mannesmann Dematic Postal Automation (MDPA) will be sold. A decision by U.S. regulatory authorities is expected in the near future. In addition, a decision regarding Mannesmann Rexroth AG (which will be assumed by Robert Bosch GmbH) is still pending. In November 2000, Siemens and Bosch presented a revised acquisition structure. Subject to approval by European regulatory authorities, Siemens would acquire Atecs Mannesmann AG as a whole while Bosch would simultaneously take over the activities of Mannesmann Rexroth AG.
- In October 2000, Unisphere Networks, Inc., a company in service-ready networking for Internet service providers and telecommunications carriers, announced an agreement to acquire BroadSoft, Inc. of the U.S. Under the terms of the agreement, Unisphere will exchange shares of Unisphere common stock for outstanding shares and options of BroadSoft. The business combination will be accounted for as a purchase. The acquisition, which is still subject to a number of closing terms, has been approved by the boards of both companies.
- In November 2000, Medical Solutions (Med) acquired Acuson Corporation of the U.S. by purchasing the company's outstanding shares. The aggregated value of the offer was approximately US$700 million, or US$23.00 per share.

This Annual Report contains forward-looking statements based on beliefs of Siemens' management. We use the words "anticipate," "believe," "estimate," "expect," "intend," "plan" and "project" to identify forward-looking statements. Such 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, including, 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.

It is our policy to disclose material information on an open, nonselective basis, and we anticipate no need for changes in our disclosure policy or practice when our shares are publicly traded in the U.S.

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

Statements of income

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

		Siemens worldwide	
	Note	2000	1999
Net sales	**1**	**78,396**	**68,582**
Cost of sales		(54,972)	(49,091)
Gross profit on sales		**23,424**	**19,491**
Research and development expenses	**2**	(5,593)	(5,236)
Marketing and selling expenses		(10,402)	(9,776)
General administration expenses		(3,359)	(2,651)
Other operating income	**3**	942	827
Other operating expenses	**3**	(597)	(1,314)
Income from investment in other companies, net	**4**	479	278
(Expense) income from financial assets and marketable securities, net	**5**	(137)	924
Interest income from Operations/Domestic Pension Fund, net	**6**	398	347
EBIT from Operations			
Other interest income (expense), net	**6**	134	(20)
Income from ordinary activities before income taxes		**5,289**	**2,870**
Taxes on income from ordinary activities	**7**	(1,908)	(1,005)
Net income before extraordinary items		**3,381**	**1,865**
Extraordinary items after taxes	**9**	4,520	
Net income		**7,901**	**1,865**

Appropriation of net income	2000	1999
Net income	7,901	1,865
Minority interest in net income of consolidated subsidiaries	(362)	(263)
Minority interest in net loss of consolidated subsidiaries	10	12
Balance brought forward from prior year	2	2
Income from reduction of capital stock	16	
Transfer to additional paid-in capital pursuant to §237 (5), German Corporation Act (AktG)	(16)	
Transfers to retained earnings	(6,138)	(718)
Unappropriated consolidated net income	**1,413**	**898**

Operations			Financing and Real Estate		Domestic Pension Fund	
2000	**of which: Infineon**	1999	2000	1999	2000	1999
76,632	**7,283**	**67,147**	**1,764**	**1,435**		
(53,473)	(4,111)	(47,757)	(1,499)	(1,334)		
23,159	**3,172**	**19,390**	**265**	**101**		
(5,593)	(1,025)	(5,236)				
(10,374)	(387)	(9,755)	(28)	(21)		
(3,129)	(283)	(2,555)	(230)	(96)		
768	17	610	174	217		
(455)	(15)	(529)	(23)	(82)	(119)	(703)
494	154	278	(15)			
33	37	647	(179)	(224)	9	501
264		120			134	227
5,167	**1,670**	**2,970**				
(251)	74	(308)	385	288		
4,916	**1,744**	**2,662**	**349**	**183**	**24**	**25**
(1,774)[1]	(612)	(932)[1]	(126)[1]	(64)[1]	(8)[1]	(9)[1]
3,142	**1,132**	**1,730**	**223**	**119**	**16**	**16**

[1] Based on the effective corporate tax rate applied to income from ordinary activities.

Balance sheets

September 30 *(in millions of euros)*

		Siemens worldwide	
Assets	Note	2000	1999
Intangible assets, net	**10**	6,367	3,508
Property, plant and equipment, net	**10**	15,250	13,702
Investments	**11**	11,796	11,488
Noncurrent assets		**33,413**	**28,698**
Inventories	**12**	20,785	17,519
Less: Advances received from customers		(14,113)	(11,246)
		6,672	**6,273**
Accounts receivable and miscellaneous assets	**13**	31,002	23,907
Liquid assets	**14**	7,872	2,451
Current assets		**45,546**	**32,631**
Prepaid expenses		**296**	**166**
Total assets		**79,255**	**61,495**

Shareholders' equity and liabilities			
Shareholders' equity	**15**	**25,640**	**17,200**
Pension plans and similar commitments	**16**	12,449	11,109
Other accrued liabilities	**17**	14,019	11,929
Accrued liabilities		**26,468**	**23,038**
Debt	**18**	**9,134**	**7,262**
Other liabilities	**19**	**17,159**	**13,322**
Deferred income		**854**	**673**
Total shareholders' equity and liabilities		**79,255**	**61,495**

Reconciliation to net capital employed* *(in millions of euros)*
Total assets
Accounts payable to third parties[2]
Foreign pension accruals
Deferred income
Deferred tax assets
Total reconciliation
Net capital employed

* Cf. Segment information on page 62, line "Reconciliation to financial statements"

Operations			Financing and Real Estate		Domestic Pension Fund	
2000	of which: Infineon	1999	2000	1999	2000	1999
6,263	222	3,507	104	1		
11,744	4,034	11,253	3,506	2,449		
2,559	447	2,339	114	32	9,123	9,117
20,566	**4,703**	**17,099**	**3,724**	**2,482**	**9,123**	**9,117**
20,604	841	17,322	181	197		
(14,111)		(11,245)	(2)	(1)		
6,493	**841**	**6,077**	**179**	**196**		
21,486	2,159	18,005	8,101[1]	5,700	1,415	202
2,664	1,141	1,765	5,208	686		
30,643	**4,141**	**25,847**	**13,488**	**6,582**	**1,415**	**202**
262	**9**	**123**	**34**	**43**		
51,471	**8,853**	**43,069**	**17,246**	**9,107**	**10,538**	**9,319**

Operations			Financing and Real Estate		Domestic Pension Fund	
23,825	**5,806**	**15,385**	**1,815**	**1,815**		
1,898	41	1,783	13	7	10,538	9,319
13,468	1,003	11,675	551	254		
15,366	**1,044**	**13,458**	**564**	**261**	**10,538**	**9,319**
4,652	**266**	**3,014**	**4,482**	**4,248**		
7,028[2]	**1,689**	**10,620**	**10,131**[1]	**2,702**		
600	**48**	**592**	**254**	**81**		
51,471	**8,853**	**43,069**	**17,246**	**9,107**	**10,538**	**9,319**

Operations 2000	of which: Infineon	Operations 1999
51,471		**43,069**
(14,920)		(12,126)
(1,898)		(1,783)
(600)		(592)
(2,354)		(1,285)
(19,772)		**(15,786)**
31,699		**27,283**

(1) Intersegment receivables and payables between Operations and SFS are netted. Prior year figures have been restated for comparative purposes.

(2) Due to the three-way structure of presentation, the corresponding Financing and Real Estate balance sheet caption includes €7,892 (1999: €1,506) million in intersegment accounts payable, which is deducted from accounts payable to third parties of €14,920 (1999: €12,126) million under Operations. Since net capital employed is determined independent of the way accounts payable are presented, total assets are reduced by the full amount of accounts payable to third parties.

Statements of cash flows

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

	Note	Siemens worldwide 2000	1999
Net income before extraordinary items		3,381	1,865
Depreciation and amortization		4,057	3,436
Increase (decrease) in accrued liabilities		742	593
Gain on disposal of noncurrent assets		(252)	(340)
Gain on sale of current marketable securities		(85)	(591)
(Income) loss from equity investees, net of dividends received		(48)	110
Other noncash charges			3
Other cash charges due to extraordinary items		(191)	
Change in current assets and other liabilities			
(Increase) decrease in inventories		(2,499)	(229)
Increase in advances received from customers		2,204	1,167
(Increase) decrease in accounts receivable		(232)	(1,674)
Increase (decrease) in liabilities		1,077	1,373
Net cash provided	**20**	**8,154**	**5,713**
Additions to intangible assets, property, plant and equipment, and equipment leased to customers		(5,189)	(3,816)
Purchases of investments		(2,905)	(1,177)
Acquisitions of businesses		(3,264)	(905)
Increase in accounts receivable from financing activities		(2,081)	(1,484)
Proceeds from disposal of investments, intangibles, and property, plant and equipment		1,140	1,976
Proceeds from disposal of businesses		10,352[1]	
(Increase) decrease in other liquid assets		(262)	781
Net cash (used in) provided by investing activities	**21**	**(2,209)**	**(4,625)**
Repurchase of stock		(999)	
Proceeds from issuance of debt		2,600	168
Repayment of debt		(320)	(202)
Other changes in debt		(1,579)	(1,032)
Change in restricted cash and cash equivalents		(52)	(63)
Prior year's dividend paid		(593)	(455)
Dividend paid to minority shareholders		(111)	(158)
Net intersegment financing activity			
Net cash (used in) provided by financing activities		**(1,054)**	**(1,742)**
Effect of changes in number of consolidated companies on cash and cash equivalents		(110)	326
Effect of exchange rate and other changes on cash and cash equivalents		171	48
Net increase (decrease) in cash and cash equivalents		**4,952**	**(280)**
Cash and cash equivalents at September 30	**22**	**6,860**	**1,908**
Other liquid assets at September 30		1,012	543
Liquid assets as stated on balance sheet at September 30		**7,872**	**2,451**

(1) Including €823 million increase in capital stock at Infineon associated with the IPO.

Operations			Financing and Real Estate		Domestic Pension Fund	
2000	of which: Infineon	1999	2000	1999	2000	1999
3,142	1,132	1,730	223	119	16	16
3,715	834	3,124	342	312		
254	558	(275)	185	(54)	303	922
(82)	(2)	(226)	(170)	(114)		
(85)	(20)	(591)				
(48)	(101)	110				
		3				
(191)						
(2,522)	(108)	(178)	23	(51)		
2,202		1,166	2	1		
(624)	(696)	(1,413)	413	(235)	(21)	(26)
1,084	483	1,186	(7)	187		
6,845	**2,080**	**4,636**	**1,011**	**165**	**298**	**912**
(4,701)	(1,614)	(3,272)	(488)	(544)		
(2,899)	(303)	(491)		(12)	(6)	(674)
(3,115)		(905)	(149)			
			(2,081)	(1,484)		
713	42	1,313	427	663		
10,352[1]						
(246)	(452)	813	(16)	(32)		
104	**(2,327)**	**(2,542)**	**(2,307)**	**(1,409)**	**(6)**	**(674)**
(999)						
2,500			100	168		
			(320)	(202)		
(1,472)		(827)	(107)	(205)		
(52)		(63)				
(593)		(455)				
(111)		(158)				
(5,709)		(522)	6,001	760	(292)	(238)
(6,436)		**(2,025)**	**5,674**	**521**	**(292)**	**(238)**
(110)		101		225		
42		32	129	16		
445		**202**	**4,507**	**(482)**		
1,708		**1,263**	**5,152**	**645**		
956		503	56	40		
2,664		**1,766**	**5,208**	**685**		

Segment information

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

	New orders		External sales		Intersegment sales	
	2000	1999	2000	1999	2000	1999
Operations[1]						
Information and Communication Networks (ICN)[4]	11,648	9,881	11,218	9,831	194	78
Information and Communication Mobile (ICM)[4]	10,420	5,415	8,870	4,992	120	146
Siemens Business Services (SBS)[4]	5,857	5,095	4,273	3,503	1,492	1,470
Automation and Drives (A&D)	8,163	7,168	6,892	5,914	1,054	1,152
Industrial Solutions and Services (I&S)	4,401	4,143	3,339	3,039	1,053	1,079
Siemens Production and Logistics Systems (PL)	1,913	1,440	1,598	1,092	197	192
Siemens Building Technologies (SBT)	5,066	4,407	4,519	3,895	428	366
Power Generation (PG)	9,409	7,016	8,239	7,893	31	38
Power Transmission and Distribution (PTD)	3,566	2,930	3,131	3,054	182	197
Transportation Systems (TS)	3,722	3,130	3,992	2,962	4	8
Siemens Automotive (AT)	3,839	3,267	3,834	3,262	5	5
Medical Solutions (Med)	5,253	4,165	5,038	4,033	23	47
Osram	4,327	3,660	4,039	3,476	288	184
Infineon Technologies (Infineon)[5]	8,837	4,624	6,200	3,217	1,083	1,020
Passive Components and Electron Tubes (PR)		1,683		1,265		160
Electromechanical Components (EC)		946		708		120
Eliminations and other[6]	(4,760)	(868)[7]	2,801	6,159	(7,505)	(7,410)
Total	**81,661**	**68,102**	**77,983**	**68,295**		
Reconciliation to financial statements[9]						
Earnings before taxes[10], total assets						
Financing and Real Estate[1]						
Siemens Financial Services (SFS)	354	277	242	149	112	128
Siemens Real Estate (SRE)	1,410	1,158	171	138	1,239	1,020
Total	**1,764**	**1,435**	**413**	**287**	**1,351**	**1,148**
Domestic Pension Fund						
	New orders		External sales			
Siemens worldwide	**83,425**	**69,537**	**78,396**	**68,582**		

(1) Compared to the prior year, several of the Company's businesses have been renamed. Unless further details are provided, the new names do not imply any changes to the organizational structure.
(2) Intangibles assets, property, plant and equipment, investments, pension assets.
(3) Includes all amortization of intangible assets, depreciation of property, plant and equipment, and write-downs on investments.
(4) Prior year figures have been restated for comparative purposes. Any resulting differences are included in "Eliminations and other."
(5) Figures prepared in accordance with U.S. GAAP. Differences between U.S. GAAP and German GAAP are included in "Eliminations and other." Prior year amounts have been restated for comparative purposes.

Total sales		EBIT		Net capital employed		Capital spending[2]		Amortization, depreciation and write-downs[3]	
2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
11,412	9,909	692	366	3,151	3,925	469	1,276	458	422
8,990	5,138	758	334	2,675	2,268	613	231	259	158
5,765	4,973	129	76	1,534	801	498	332	279	185
7,946	7,066	872	740	2,583	2,177	746	258	231	200
4,392	4,118	167	143	543	379	78	49	55	49
1,795	1,284	175	77	558	526	54	26	62	57
4,947	4,261	277	163	2,241	2,325	205	183	166	153
8,270	7,931	232	(133)	353	1,637	258	137	219	227
3,313	3,251	149	127	784	595	138	59	75	83
3,996	2,970	85	(62)	(270)	(135)	75	79	48	70
3,839	3,267	91	159	956	877	345	239	166	138
5,061	4,080	441	337	3,483	1,140	2,294	87	123	86
4,327	3,660	415	348	2,584	2,156	446	243	264	225
7,283	4,237	1,670	(13)	5,709	4,036	1,916	829	834	573
	1,425		145		831		190		116
	828		9		490		65		70
(4,704)	(1,251)	(986)	154	4,815	3,255	2,652	413	714[8]	312
76,632	**67,147**	**5,167**	**2,970**	**31,699**	**27,283**	**10,787**	**4,696**	**3,953**	**3,124**
		(251)	(308)	19,772	15,786				
		4,916	**2,662**	**51,471**	**43,069**				

		Earnings before taxes (EBT)[10]		Total assets					
354	277	141	75	19,644	12,348	521	356	194	173
1,410	1,158	208	108	3,233	2,275	116	199	149	140
1,764	**1,435**	**349**	**183**	**17,246**[11]	**9,107**[11]	**637**	**555**	**343**	**313**

		24	**25**	**10,538**	**9,319**	**18**	**674**		

Total sales		Earnings before taxes (EBT)[10]		Total assets		Capital spending[2]		Amortization, depreciation and write-downs[3]	
78,396	**68,582**	**5,289**	**2,870**	**79,255**	**61,495**	**11,442**	**5,925**	**4,296**	**3,437**

(6) "Other" primarily refers to centrally managed equity investments (such as BSH Bosch und Siemens Hausgeräte GmbH and Epcos AG), liquid assets of Operations, corporate items relating to foreign subsidiaries, and corporate headquarters.
(7) Adjusted to be made comparable. In the prior year, new orders of SFS and SRE were not disclosed separately but included in this line.

(8) Includes charges of €240 million disclosed in extraordinary items.
(9) Primarily reflects the difference between EBIT and EBT (which additionally includes consolidated net interest expense on debt outside SFS and SRE) as well as the difference between net capital employed and total assets (see Reconciliation on page 58).
(10) Income from ordinary activities before income taxes.
(11) Total reduced by intersegment financing of SRE by SFS.

Changes in shareholders' equity

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

	2000	Total	Stock issued or retired	Appro-priation of net income[1]	Translation adjust-ment	Other changes	1999[2]
		Movements in fiscal year 2000					
Capital stock	**1,505**	(16)	(16)				1,521
Additional paid-in capital	**5,622**	16	16				5,606
Retained earnings	**13,571**	5,290	(999)	6,138		151	8,281
Unappropriated consolidated net income	**1,413**	515		1,413		(898)	898
Minority interest	**2,412**	1,445		352		1,093	967
Cumulative translation adjustment	**1,117**	1,190			1,191	(1)	(73)
Total	**25,640**	8,440	(999)	7,903	1,191	345	17,200

	1999	Total	Stock issued or retired	Appro-priation of net income[1]	Translation adjust-ment	Other changes	1998
		Movements in fiscal year 1999					
Capital stock	1,521						1,521
Additional paid-in capital	5,606						5,606
Retained earnings	8,370	738		718		20	7,632
Unappropriated consolidated net income	898	442		898		(456)	456
Minority interest	971	98		251		(153)	873
Cumulative translation adjustment	(166)	434			419	15	(600)
Total	17,200	1,712		1,867	419	(574)	15,488

(1) Includes balance brought forward from prior year.
(2) Due to the adoption of the euro, the translation adjustment of €(93) million relating to currencies within the European Monetary Union has been reversed.

Notes

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Effective January 1, 1999, the euro was introduced as the common currency of the 11 member states of the European Monetary Union (EMU). Siemens has adopted the euro (€) for fiscal periods beginning on or after October 1, 1999 and for the first time presents the accompanying consolidated financial statements in euros. The prior year's figures have been restated in euros using the fixed conversion rate as of January 1, 1999 of DM1.95583 to €1.00.

The consolidated financial statements have been prepared in accordance with the German Commercial Code (HGB) and the German Corporation Act (AktG) using the euro as the functional currency. In addition, the German Accounting Standards ("GAS") No. 2, *Cash Flow Statements*, and No. 3, *Segment Reporting*, issued by the German Accounting Standards Committee ("GASC"), as amended by September 30, 2000, have been complied with. 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 sections: Operations, Financing and Real Estate, and Domestic Pension Fund. The accounting and valuation principles applied to these sections 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 Domestic Pension Fund sections presented separately in the consolidated financial statements.

For information purposes, the statements of income, the balance sheets and the statements of cash flows include figures relating to Infineon Technologies AG, Munich, a consolidated Siemens subsidiary whose stock is listed on the stock exchanges in Frankfurt and New York. These figures were prepared in accordance with United States generally accepted accounting principles (U.S. GAAP), since Infineon's consolidated financial statements are published on a U.S. GAAP basis. The Infineon figures included in the consolidated financial statements of Siemens AG, however, have been determined in accordance with the German Commercial Code (German GAAP).

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, 2000 include the accounts of 167 (1999: 177) subsidiaries in Germany and 551 (1999: 565) 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 2%.

Compared to September 30, 1999, a total of 22 domestic subsidiaries and 92 foreign subsidiaries have been consolidated for the first time, while 32 domestic companies and 106 foreign companies are not longer included in the consolidated financial statements. Sixteen of these companies were merged with and into Siemens AG or other consolidated companies.

Effective April 1, 2000, the Company's Information and Communications operations were reorganized. Part of this reorganization resulted in a restructuring of Information and Communication Products (ICP), which was renamed Information and Communication Mobile (ICM). The changes resulting from the reorganization and other major changes in consolidation are presented below.

On July 1, 1999, Siemens Matsushita Components GmbH & Co. KG, Munich, a joint venture between Siemens and Matsushita, was reorganized into Epcos AG, Munich (formerly Passive Components and Electron Tubes – PR). As a result of the public offering of Epcos stock on October 15, 1999, Siemens' interest in Epcos AG was reduced to 12.5% plus one share. Epcos AG is no longer included in the consolidated financial statements.

In addition, Yaskawa Siemens Automation & Drives K.K., Kitakyushu, Japan, a joint venture with Yaskawa Electric Corporation, Kitakyushu, Japan, was launched in the area of automation and drive technology in October 1999.

In November 1999, Siemens formed a joint venture with NEC Corporation, Tokyo, Japan, to develop UTMS systems for third-generation (3G) mobile networks. The venture, based in Reading, England, was named Mobisphere Ltd.

Also in November 1999, Siemens Electromechanical Components GmbH & Co. KG, Munich (formerly Electromechanical Components and a separate legal entity since April 1, 1999) was sold to Tyco International Ltd., Hamilton, Bermuda.

In December 1999, Siemens sold its subsidiary Siemens Nixdorf Retail and Banking Systems GmbH, Paderborn, Germany (formerly part of Information and Communication Products – ICP) to a consortium including financial investors Kohlberg Kravis Roberts & Co., LP, New York, NY, U.S.A., and GS Capital Partners III, LP, the private equity arm of Goldman Sachs & Co., New York, NY, U.S.A.

Also in December 1999, Siemens acquired the electronic controls business of Vickers Electronic Systems. The acquired business was merged with Siemens Energy & Automation, Inc., Alpharetta, GA, U.S.A.

Siemens sold Vacuumschmelze GmbH, Hanau, Germany (formerly part of Passive Components and Electron Tubes – PR) to The Morgan Crucible Company plc, Windsor, England, in December 1999.

In February 2000, Siemens sold its fiber-optic cable and optical fiber business (formerly part of Information and Communication Products – ICP) to Corning, Inc., New York, NY, U.S.A.

Also in February 2000, Osram Sylvania, Inc., Danvers, MA, U.S.A., acquired the electronic ballast business of Motorola Lighting Inc., Lake Zurich, IL, U.S.A.

Siemens considerably strengthened its position in process automation by purchasing U.S. company Moore Products Corporation, Spring House, PA, U.S.A., in February 2000 and Milltronics Ltd., Peterborough, Ontario, Canada, in March 2000.

In March 2000, Siemens sold its holdings in Swiss cable TV network operator Cablecom Holding AG, Zurich, Switzerland, to NTL Incorporated, New York, NY, U.S.A.

In April 2000, Siemens acquired Entex Information Services, Inc., New York, NY, U.S.A., an IT service provider on the important North American market.

Also in April 2000, Siemens joined J.M. Voith AG, Heidenheim, Germany, to launch Voith Siemens Hydro Power Generation GmbH & Co. KG, Heidenheim, Germany, a joint venture in the hydroelectric power business.

In May 2000, Siemens took over the mobile communications development operations of Robert Bosch GmbH, Stuttgart, Germany, and integrated them into its Information and Communication Mobile (ICM) unit.

In June 2000, Siemens acquired Schroder Leasing Ltd., Harrow, England, thereby significantly expanding its equipment leasing share in the British market.

In July 2000, Siemens acquired Shared Medical Systems Corporation, Wilmington, DE, U.S.A.

Due to the changes in the number of companies included in consolidation, net sales decreased €4.3 billion, total assets increased €3.3 billion, and net income was reduced by €570 million.

Investments in 44 (1999: 33) associated companies and in five (1999: five) subsidiaries have been accounted for under the equity method.

The principal subsidiaries and associated companies are listed on pages 92 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 (HGB) 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. The excess of purchase costs over amounts allocated to identifiable assets and liabilities of businesses acquired is capitalized as goodwill in intangible assets and amortized over its estimated useful life. Purchased in-process research and development is expensed as incurred.

The same principles are applied in consolidating companies under 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 the consolidated financial statements.

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 euro relative to the British pound, the U.S. dollar and several Asian currencies, total assets increased €4.3 billion upon translation of foreign currency accounts. As a result, a positive translation adjustment has been recorded in shareholders' equity. Net sales increased €3.8 billion due to the currency developments.

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

Currency	ISO code	Year-end exchange rate* (€)		Annual average rate (€)	
		9/30/2000	9/30/1999	2000	1999
100 Swiss francs	CHF	65.53	62.63	63.35	62.47
1 British pound	GBP	1.67	1.54	1.63	1.49
1 U.S. dollar	USD	1.14	0.94	1.05	0.91
100 Japanese yen	JPY	1.05	0.89	0.99	0.78

* 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 over periods not exceeding 20 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. The components of production cost are defined 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 cost 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 on the balance sheet 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 benefits and risks incidental to the ownership of leased property lie with the lessor or the lessee (economic ownership). Under an operating lease the Company, as the lessor, remains the economic 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), substantially all of the benefits and risks of ownership are transferred to the lessee who becomes the economic 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

Starting in fiscal year 2000, the accruals for pension plans of domestic companies that provide for the contractual retirement benefits of employees and retirees are no longer assessed under the projected benefit valuation method, but are actuarially calculated – in preparation for the adoption of U.S. GAAP in the consolidated financial statements – under the internationally accepted projected unit credit method on the basis of firm commitments existing at the balance sheet date. In contrast, accruals for transition payments continue to be determined under the projected benefit valuation method pursuant to the German Income Tax Act (EStG).

Under the projected unit credit method, the amount of the pension accruals is based upon the actuarial present value of the benefits earned as of a given date, called "projected benefit obligation (PBO)." Employees' pension benefits may be credited from the start of employment, i.e. before the age of thirty. The valuation is based on realistic assumptions with regard to the projected benefit obligation, including projected increases in compensation levels, projected pension adjustments pursuant to §16 of the German Company Pensions Act (BetrAVG), and actuarial assumptions as to staff turnover, early retirement, etc. The discount rate used in measuring PBO is based on the current yields on high-quality, fixed-rate debt instruments whose maturities match the life of the benefit plans (return on 10- to 30-year government bonds plus a premium for AA-rated long-term corporate bonds). The actuarial assumptions used in determining the valuation bases are provided in Note 16.

The projected benefit valuation 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 return of 6%. Increases in pension commitments are reflected in accruals at the present value of the benefits earned.

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 projected unit credit method using an assumed discount rate of 7.8% 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 currency contracts, interest rate swaps, combined interest rate/currency swaps, and options. The Company does not hold or issue derivative financial instruments for trading purposes.

Balance sheet positions denominated in foreign currencies are generally hedged, with firm commitments and anticipated transactions being hedged within prescribed risk limits and controls. 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 statements of income and on the consolidated balance sheets have been combined. These items are shown separately in the Notes.

In line with international practice, the Company elected to disclose earnings before interest and taxes (EBIT) from Operations. For this reason, the consolidated statements of income presents "Interest income from Operations/Domestic Pension Fund, net" and "Other interest income (expense), net" instead of a single net interest income caption.

In the consolidated statements of cash flows, the captions "Acquisitions of businesses" and "Proceeds from disposal of businesses" present the related cash flows separately and adjusted for cash and cash equivalents acquired or sold, in accordance with the German Accounting Standard ("GAS") No. 2, *Cash Flow Statements*. These cash flows had previously been included in "Purchases of investments and noncurrent marketable securities" (now "Purchases of investments") and "Proceeds from disposal of noncurrent assets" (now "Proceeds from disposal of investments, intangibles, and property, plant and equipment"). The prior year amounts have been restated for comparative purposes. The position "Effect of changes in number of consolidated companies on cash and cash equivalents" has been reclassified from the financing activities section to conform to the requirements of GAS No. 2.

The amounts relating to Financing and Real Estate and the Domestic 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, the related 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 STATEMENTS OF INCOME

1 Net sales

Net sales also include rental income under operating leases of €1,418 (1999: €1,185) million and income from license agreements of €76 (1999: €101) million.

2 Research and development expenses

Government grants in the amount of €103 (1999: €106) million have been offset against research and development expenses.

3 Other operating income and expenses		
(in millions of euros)	2000	1999
Other operating income	942	827
of which: Gain on sale of land and buildings	[324]	[174]
Other operating expenses	597	1,314
of which:		
Additional contributions to pension accruals		[671]
Amortization related to goodwill and other intangible assets resulting from acquisitions	[384]	[273]
Loss on sale of land and buildings	[68]	[104]

4 Income from investment in other companies, net		
(in millions of euros)	2000	1999
Income from investments	29	76
Income from profit-and-loss transfer agreements	40	23
Share in earnings (losses) resulting from equity consolidation	172	(17)
Gain on sale of investments	307	368
Losses assumed under profit-and-loss transfer agreements	(22)	(21)
Loss on sale of investments	(24)	(16)
Write-downs on investments	(25)	(145)
Write-ups on investments	2	10
	479	**278**

Income from investments includes €5 (1999: €39) million in income from subsidiaries.

Earnings (losses) resulting from equity consolidation relate primarily of the Company's share in the earnings of BSH Bosch und Siemens Hausgeräte GmbH, Munich, and ProMOS Technologies, Inc., Hsinchu, Taiwan (an affiliate of Infineon Technologies AG), as well as the share in losses assumed from Fujitsu Siemens Computers (Holding) B.V., Amsterdam, Netherlands.

5 (Expense) income from financial assets and marketable securities, net		
(in millions of euros)	2000	1999
Financial gains (excluding interest)	577	1,357
Financial losses (excluding interest)	(643)	(337)
Write-downs on other long-term financial assets and on current marketable securities	(71)	(96)
	(137)	**924**

Financial gains and financial losses include gains and losses on the sale of current marketable securities, gains on the sale of venture capital investments, and foreign exchange gains and losses on financing activities.

6 Interest income (expense), net

(in millions of euros)	2000	1999
Interest income from Operations/Domestic Pension Fund, net	398	347
Other interest income (expense), net	134	(20)
	532	**327**
of which:		
Income from noncurrent marketable securities and long-term loans	682	730
Attributable to subsidiaries		[1]
Interest and similar income	1,388	947
Attributable to subsidiaries	[70]	[45]
Interest and similar expenses	(940)	(777)
Attributable to subsidiaries	[(42)]	[(10)]
Interest cost component of allocation to pension accruals	{598)	(573}

Net interest income from Operations/Domestic 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 by Siemens Kapitalanlagegesellschaft mbH. Since corporate headquarters are considered part of Operations, net interest income from Operations/Domestic Pension Fund also includes any interest income and expense that is allocatable to corporate headquarters.

Other interest income (expense) of Operations relates primarily to interest paid on debt and corporate financing transactions through Siemens Financial Services (SFS), while other interest income (expense) of 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 euros)	2000	1999
Income tax expense		
Domestic	1,356	415
Foreign	1,072	707
	2,428	1,122
Deferred taxes	(520)	(117)
Taxes on income from ordinary activities	**1,908**	**1,005**
Income tax effect on extraordinary items	(372)	
	1,536	**1,005**

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 €255 (1999: €257) million are reflected in functional costs. These taxes relate primarily to property taxes.

9 Extraordinary items after taxes

(in millions of euros)	2000
Extraordinary gains	7,809
Extraordinary losses	(3,661)
Extraordinary items before income taxes	4,148
Income tax on extraordinary items	372
Extraordinary items after taxes	4,520

Extraordinary items include proceeds from the sale of businesses as described in detail in Management's discussion and analysis and in the Notes under "Companies included in consolidation." In addition, extraordinary items include gains resulting from the public offering of Infineon Technologies AG, which has remained part of the Siemens organization, as well as nonrecurring expenses.

Extraordinary expense of €1,268 million has been recorded to account for the one-time adjustment of the domestic pension accruals to the internationally accepted projected unit credit method which has been adopted to prepare for the changeover to U.S. GAAP accounting in fiscal year 2001.

Extraordinary expenses also relate to corporate issues in a total amount of approximately €900 million. These issues include, among other things, an increase in environmental remediation accruals in connection with the cleanup of the closed fuel element facility in Hanau, Germany; an allowance to provide for a loan granted to Fujitsu Siemens Computers (Holding) B.V., a subsidiary accounted for under the equity method; and an accrual for loss contingencies set up to account for the liquidation of two centrally managed projects.

On account of the Company's excellent results, employees will receive a special bonus which led to a one-time charge of €600 million.

The Company recorded a nonrecurring charge of approximately €140 million for purchased in-process research and development expenses associated with the takeover of Shared Medical Systems Corporation and the mobile communications development operations of Robert Bosch GmbH.

The remaining extraordinary expenses include a charge for goodwill impairment of €136 million related to Argon Networks, Inc., Wilmington, DE, U.S.A., and the Siemens contribution to the German Economy Foundation Initiative "Remembrance, Responsibility and the Future."

NOTES TO THE BALANCE SHEETS

10 Intangible assets and property, plant and equipment, net

(in millions of euros)	9/30/99	Translation adjustment	Additions	Reclassifications	Retirements	9/30/00	Accumulated depreciation/amortization	Net book value as of 9/30/00	Net book value as of 9/30/99	Depreciation/amortization during fiscal year
Intangible assets										
Patents, licenses and similar rights	1,116	135	651		84	1,818	666	1,152	672	242
Goodwill	3,287	515	2,711		554	5,959	744	5,215	2,836	555
	4,403	650	3,362		638	7,777	1,410	6,367	3,508	797
Property, plant and equipment										
Land, equivalent rights to real property, and buildings, including buildings on land not owned	9,118	468	666	59	1,540	8,771	3,718	5,053	4,938	292
Technical equipment and machinery	11,702	905	1,234	481	2,387	11,935	7,521	4,414	4,263	1,322
Other equipment, plant and office equipment	10,585	561	1,989	157	2,142	11,150	8,066	3,084	2,652	1,554
Equipment leased to customers	2,164	173	479	3	645	2,174	1,101	1,073	1,029	316
Advances to suppliers and construction in progress	829	95	1,599	(700)	193	1,630	4	1,626	820	
	34,398	2,202	5,967		6,907	35,660	20,410	15,250	13,702	3,484
	38,801	**2,852**	**9,329**		**7,545**	**43,437**	**21,820**	**21,617**	**17,210**	**4,281**

Additions to property, plant and equipment include €964 million resulting from first-time consolidations. Depreciation on property, plant and equipment includes exceptional depreciation charges of €35 million.

11 Investments

(in millions of euros)	9/30/99	Translation adjustment	Additions	Reclassifications	Retirements	9/30/00	Accumulated write-downs	Accumulated equity adjustment	Net book value as of 9/30/00	Net book value as of 9/30/99	Write-downs during fiscal year
Interests in subsidiaries	517	12	362	(8)	327	556	66	14	504	447	13
Interests in associated companies	1,417	31	220	(19)	653	996		483	1,479	1,585	
Noncurrent marketable securities	9,117	29	14		25	9,135			9,135	9,117	
Miscellaneous investments	552	8	407	27	126	868	190		678	339	2
	11,603	**80**	**1,003**		**1,131**	**11,555**	**256**	**497**	**11,796**	**11,488**	**15**

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

The additions to investments relate predominantly to the Company's 12.5% equity ownership in Epcos AG and its ownership interests in two joint ventures, Fujitsu Siemens Computers (Holding) B.V. and Voith Siemens Hydro Power Generation GmbH & Co. KG.

Noncurrent marketable securities represent investments in specialized investment funds which are managed by Siemens Kapitalanlagegesellschaft mbH, Munich. These securities serve to fund the domestic pension obligations (see also Note 16 for further information on pension accruals).

12 Inventories

(in millions of euros)	9/30/00	9/30/99
Materials and supplies	2,341	1,544
Work in process	2,992	3,179
Finished products and merchandise	3,658	3,179
Cost of unbilled contracts	10,780	8,740
Advances to suppliers	1,014	877
	20,785	**17,519**

Reasonable allowances of €2,108 (1999: €1,795) 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.

13 Accounts receivable and miscellaneous assets

(in millions of euros)	9/30/00	Due after one year	9/30/99	Due after one year
Trade accounts receivable	21,632	1,456	17,692	2,162
Other accounts receivable and miscellaneous assets	9,370	421	6,215	510
of which:				
Receivables from unconsolidated subsidiaries	[472]	[40]	[567]	[108]
Receivables from associated and related companies	[410]	[20]	[464]	[41]
Miscellaneous assets	[8,488]	[361]	[5,184]	[361]
	31,002	**1,877**	**23,907**	**2,672**

Miscellaneous assets include net deferred tax receivables of €2,354 (1999: €1,285) 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 €182 (1999: €255) million, which were acquired exclusively as temporary financial investments.

Accounts receivable and miscellaneous assets are stated net of allowances, primarily for credit and country risks, of €2,306 (1999: €1,969) million.

Rentals receivable in the future under operating leases with noncancelable minimum terms and under finance leases aggregated €3,229 million. Amounts receivable over the next years follow (in millions of euros):

2001	2002	2003	2004	2005	thereafter
1,211	877	540	306	158	137

14 Liquid assets

(in millions of euros)	9/30/00 Carrying value	Market value	9/30/99 Carrying value	Market value
Marketable securities				
Equity securities	170	457	157	401
Debt securities	794	794	79	79
Fund shares	155	176	213	220
Other liquid funds	6,753	6,753	2,002	2,002
Liquid assets	**7,872**	**8,180**	**2,451**	**2,702**
of which: Cash and cash equivalents*	6,860		1,908	

* Excluding restricted cash and cash equivalents. Prior year amounts have been restated for comparative purposes (see Note 22).

In fiscal year 2000, Siemens AG repurchased 1,812,324 shares of stock (representing €5 million, or 0.2% of the capital stock) at an average price of €123.82 per share, in order to offer them for sale to employees. Including the 19 shares of treasury stock held at the beginning of the fiscal year, 1,796,943 shares (representing €5 million, or 0.2% of the capital stock) were sold to employees at a preferential price of €63.10 per share. At fiscal year-end, 15,400 shares of stock remained in treasury. The carrying amount of these shares, which are valued at €123.84 each, is €2 million.

15 Changes in shareholders' equity

Capital stock and additional paid-in capital

The Company's issued and outstanding capital stock consists of 588,620,600 shares without par value, in a total amount of €1,505 million.

Following the adoption of the proposed repurchase of Company stock at the Annual Shareholders' Meeting on February 24, 2000, Siemens AG acquired 6,183,000 shares of its stock on the open market from May to July 2000 at an average price of €161.57 per share for a total repurchase price of €999 million, subsequently retired such shares, and, therefore, reduced capital stock by €16 million or 1%.

The capital stock increased by €33 thousand through the issuance of 12,660 shares from the conditional capital to provide for the settlement offered to former shareholders of SNI AG. The premium of €0.4 million was included in additional paid-in capital.

The total authorized capital of Siemens AG amounts to €499 (1999: €499) million (nominal value). The authorizations to issue €205 million (nominal value) in new shares with subscription rights for shareholders (Authorized Capital 1996/I) and €39 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 1996/II) will expire on February 1, 2001. The authorization to issue €256 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 €77 million (Authorized Capital 1998) and on February 1, 2004 for the second tranche of €179 million (Authorized Capital 1999).

Conditional capital of €26 million has been provided to service the 1999 Siemens Stock Option Plan. Conditional capital of €1.5 million provides for the settlement offered to former shareholders of SNI AG who have not tendered their SNI share certificates by September 30, 2000 under the settlement offered by Siemens AG pursuant to §320 (5) (old version) of the German Corporation Act (AktG).

The amount of €16 million resulting from retirement of stock was included in additional paid-in capital pursuant to §237 (5) of the German Corporation Act (AktG).

Retained earnings

Retained earnings include a reserve for treasury stock of €2 million (1999: €2 thousand). The reserve was increased by transfers from other retained earnings.

The repurchase price of €999 million paid for the retired shares of stock was charged to other retained earnings.

Minority interest

Minority interest represents the minority shareholders' proportionate share of the equity of consolidated subsidiaries, primarily Infineon Technologies AG, Munich, Germany; Siemens AG Österreich, Vienna, Austria; and Valeo Sylvania LLC, Seymour, IN, U.S.A.

16 Accruals for pension plans and similar commitments

(in millions of euros)	9/30/00 Domestic	Foreign	Total	9/30/99 Domestic	Foreign	Total
Accruals for pension plans	10,538	350	10,888	9,319	297	9,616
including:						
Accruals for commitments to provide for alternative domestic compensation schemes	[77]			[41]		
of which: Vested benefit obligation	[10,270]			[9,004]		
Transition payment obligation upon retirement in Germany	583		583	610		610
Obligations of subsidiaries to provide postretirement health care benefits		712	712		607	607
Commitments to pension funds		266	266		276	276
Accruals for pension plans and similar commitments	**11,121**	**1,328**	**12,449**	**9,929**	**1,180**	**11,109**

Accruals for domestic pension plans and similar commitments

(in millions of euros)	9/30/00	9/30/99
Accruals at beginning of year	9,319	8,388
Service cost for benefits earned during year	261	234
Interest cost on projected benefit obligation	550	500
Additional contributions to pension accruals to provide for (future) increases in benefits	4	85
Additional contribution due to updated mortality tables		587
Acquisitions, divestitures and changes in number of consolidated companies	(352)	17
Benefits paid	(512)	(492)
Adoption of projected unit credit method	1,268	
Accruals at end of year	**10,538**	**9,319**

On September 30, 2000, approximately 207,300 active employees had earned retirement benefit entitlements, including approximately 130,000 employees holding vested rights. Individual benefits are generally based on several factors, such as ranking within the Company hierarchy, eligible compensation levels and years of service. In fiscal year 2000, approximately 98,800 domestic retired employees and their surviving dependents received pension payments totaling €512 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 by the Pensions-Sicherungsverein (PSVaG), an independent pension guaranty association.

Retirement benefit corporations, primarily Siemens-Altersfürsorge GmbH, provide for approximately 20% of the domestic pension obligations to employees subject to collective bargaining agreements and to their surviving dependents.

In Germany, 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 obligation upon retirement in Germany").

In fiscal year 2000, the financial reporting value of the domestic pension accruals has been determined for the first time in accordance with the internationally accepted projected unit credit 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 (EStG). The actuarial assumptions used in determining the valuation bases follow.

Discount rate	6.5%
Rate of compensation increase	3.5% p.a.
Pension progression rate	1.5% p.a.

Adoption of the projected unit credit method under U.S. GAAP increased the financial reporting value of the pension accruals by €1,268 million.

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 projected unit credit method by the market values of domestic plan assets is shown below.

(in millions of euros)	9/30/00	9/30/99
Domestic plan assets at market values	12,621	10,936
Domestic pension accruals based on the projected unit credit method	10,538	10,807
Overfunding	**2,083**	**129**

The substantial amount of 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.

In preparation for the changeover to U.S. GAAP accounting on October 1, 2000, the Company established a pension trust at the end of March 2000 and transferred plan assets to the trust to cover the Company's domestic pension accruals. This transaction had no effect on plan assets and domestic pension obligations disclosed for financial reporting purposes.

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.

The aggregate benefit obligation of the independent foreign pension funds amounts to €6,928 (1999: €4,996) million and is covered by assets with a total market value of €7,727 (1999: €5,455) million. The largest of these pension funds are located in the U.S. with fund assets of €2,714 million, Switzerland with €2,250 million, the U.K. with €1,376 million, and Austria with €540 million. Accruals are provided 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").

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 projected unit credit method:

(in millions of euros)	9/30/00	9/30/99
Domestic plan assets	1,058	1,049
Domestic pension obligation	970	1,091
Overfunding (underfunding)	**88**	**(42)**
Foreign plan assets	7,727	5,455
Foreign pension obligation	7,064	5,098
Overfunding	**663**	**357**
Total overfunding	**751**	**315**

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

The Siemens organization's 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 euros)	2000	1999
Service cost for benefits earned during the year	(355)	(272)
of which: Commitments to alternative compensation schemes	[(36)]	[(16)]
Interest cost on projected benefit obligation	(562)	(535)
of which: Interest cost component of accruals for alternative compensation schemes	[(2)]	[(1)]
Return on domestic plan assets	693	1,227
Additional contributions to pension accruals to provide for future increases in benefits (plan improvements)		(84)
Additional contribution due to updated 1998 mortality tables		(587)
Net periodic pension cost	**(224)**	**(251)**
Cost of transition payment obligation	(49)	(57)
of which: Interest cost	[(36)]	[(38)]
Cost of subsidiaries' obligations to provide postretirement health care benefits	(42)	(36)
Transfers from retirement benefit corporations or pension funds	(56)	(67)
Net periodic postretirement benefit cost	**(147)**	**(160)**
Total net benefit expense	**(371)**	**(411)**

Of the total net benefit expense, €171 (1999: €235) million is accounted for by domestic operations.

(in millions of euros)	2000	1999
Net benefit expense for domestic pension plans	(122)	(178)
Charged to operating units	146	203
Income from Domestic Pension Fund as per statement of income	**24**	**25**

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

The cost of first-time valuation of the domestic pension obligations under U.S. GAAP is recognized in extraordinary items rather than in income from Domestic Pension Fund.

17 Other accrued liabilities

(in millions of euros)	9/30/00	9/30/99
Provisions for taxes	2,128	1,482
Employee related costs	3,835	3,218
Business related accruals	3,835	3,790
including:		
Warranties	[1,996]	[2,107]
Order related losses and risks	[1,617]	[1,517]
Environmental remediation accruals	1,044	858
Miscellaneous accruals	3,177	2,581
	14,019	**11,929**

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

Environmental remediation liabilities have been accrued primarily to account for the cleanup of the closed fuel element facility in Hanau, Germany.

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

18 Debt

		Years to maturity				Years to maturity		
(in millions of euros)	9/30/00	0 – 1	1 – 5	over 5	9/30/99	0 – 1	1 – 5	over 5
Bonds and notes	6,728	993	3,636	2,099	3,948	195	1,824	1,929
Loans from banks	1,425	1,248	150	27	2,097	1,887	140	70
Promissory notes and other loans	981	671	154	156	1,217	1,101	84	32
	9,134	**2,912**	**3,940**	**2,282**	**7,262**	**3,183**	**2,048**	**2,031**

Promissory notes and other loans include U.S. dollar denominated commercial paper and loans denominated in various currencies as well as unlisted bonds with interest rates ranging from 6.42% to 6.49%, depending on the currency environment.

Debt in the amount of €106 (1999: €116) million is secured, €22 (1999: €37) million of which, primarily outside Germany, is secured by mortgages. 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		Euros
Elektrowatt AG, Zurich			
2.75% Swiss franc bonds 1993/2003	CHF	100	66
3% Swiss franc bonds 1994/2004	CHF	200	131
7.75% Swiss franc bonds 1992/2002	CHF	44	29
Landis & Gyr Ltd., Jersey			
2% Swiss franc bonds 1994/2001	CHF	100	66
Siemens Capital Corporation, Wilmington, Delaware			
8% U.S. dollar bonds 1992/2002	USD	580	660
4.5% U.S. dollar bonds 1998/2001	USD	300	341*
6% U.S. dollar bonds 1998/2008	USD	975	1,109*
7.5% Greek drachma Eurobonds 1998/2003	GRD	5,000	14*
0.1% euro denominated notes 2000/2000	EUR	50	50*
Siemens Western Finance N.V., Willemstad, Curaçao			
U.S. dollar zero coupon bonds 1986/2001	USD	188	214
Siemens Financierungsmaatschappij N.V., The Hague			
3.25% Swiss franc bonds 1997/2002	CHF	350	229*
5.75% U.S. dollar bonds 1998/2002	USD	200	227*
5.5% euro denominated bonds 1997/2007	EUR	991	991
10.25% DM reverse convertibles 1998/2000	DEM	140	72
10.25% DM reverse convertibles 1999/2000	DEM	50	26
Siemens Nederland N.V., The Hague			
1% guaranteed euro notes 2000/2005 exchangeable into Infineon stock	EUR	2,500	2,503
			6,728

* Issued by Siemens under the €3.5 billion medium-term note program.

19 Other liabilities

(in millions of euros)	9/30/00	Years to maturity 0 – 1	1 – 5	over 5	9/30/99	Years to maturity 0 – 1	1 – 5	over 5
Trade accounts payable	9,559	9,463	83	13	7,117	7,023	91	3
Additional liabilities	7,600	7,260	302	38	6,205	5,988	141	76
of which:								
Liabilities to unconsolidated subsidiaries	[546]	[546]			[284]	[282]	[2]	
Liabilities to associated and related companies	[320]	[307]	[13]		[173]	[172]	[1]	
Miscellaneous liabilities	[6,734]	[6,407]	[289]	[38]	[5,748]	[5,534]	[138]	[76]
	17,159	**16,723**	**385**	**51**	**13,322**	**13,011**	**232**	**79**

Tax liabilities of €1,042 (1999: €938) million are included in miscellaneous liabilities. In addition, this item comprises liabilities of €805 (1999: €591) million mandated by the social security program, including liabilities for severance payments of €393 (1999: €208) million.

NOTES TO THE STATEMENTS OF CASH FLOWS

20 Net cash provided

Net cash provided includes interest income of €1,858 (1999: €1,518) million and interest expense of €883 (1999: €730) million. Income tax payments in fiscal year 2000 amounted to €1,910 million.

21 Net cash (used in) provided by investing activities

The amounts disclosed as "Acquisitions of businesses" and "Proceeds from disposal of businesses" represent the total of the sums of all purchasing and selling prices, respectively, and correspond to the aggregate of all cash and cash equivalents expended or received in related acquisition or disposal transactions. The amount in "Proceeds from disposal of businesses" is equal to realized gains from the sale of business activities, which are included in extraordinary items.

The following net balances of cash and cash equivalents, assets and liabilities were acquired or sold together with the related businesses:

(in millions of euros)	2000
Noncurrent assets	1,613
Current assets (excl. cash and cash equivalents)	1,394
Cash and cash equivalents	283
Accrued liabilities	(718)
Sundry liabilities	1,545

22 Cash and cash equivalents

Cash and cash equivalents represent cash on hand, checks, bank deposits and debt instruments with original maturities of three months or less. In contrast to the prior year, restricted cash and cash equivalents are included in other liquid assets. The prior year's amounts have been restated for comparative purposes. At year-end, restricted cash and cash equivalents amounted to €118 (1999: €64) million.

ADDITIONAL INFORMATION

23 Personnel costs

(in millions of euros)	2000	1999
Wages and salaries	21,264	18,543
Statutory social welfare contributions and expenses for optional support payments	3,305	3,186
Expenses relating to pension plans and employee benefits	2,032	1,397
	26,601	**23,126**

The expenses relating to pension plans and employee benefits are reduced by €598 (1999: €573) 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.

The average number of employees in fiscal year 2000 was 430,200 (1999: 440,200). Part-time employees are included on a proportionate basis rather than being counted as full units. The employees were engaged in the following activities:

	2000	1999
Manufacturing	191,400	202,500
Sales and marketing	129,300	134,100
Research and development	54,800	49,300
Administration and general services	54,700	54,300
	430,200	**440,200**

24 Board members' remuneration and loans granted

The total remuneration received or receivable by the members of the Supervisory Board in fiscal year 2000 amounts to €3.6 (1999: €0.9) million, €0.1 (1999: €0.1) million of which is accounted for by fixed compensation and €3.5 (1999: €0.8) million by variable compensation. The total remuneration of the members of the Managing Board was €21.7 (1999: €12.0) million, €4.0 (1999: €3.9) million of which is accounted for by salaries, €15.1 (1999: €8.1) million by variable compensation, and €2.6 million by the market value of the stock options under the 1999 Siemens Stock Option Plan. Former members of the Managing Board and their surviving dependents received pensions and transitional payments of €12.2 (1999: €12.7) million.

Pension commitments to former members of the Managing Board and their surviving dependents are covered by an accrual of €95.6 (1999: €98.1) million.

The prior-year loans of €0.2 million granted to members of the Managing Board at 6% interest have been completely repaid in fiscal year 2000.

The members of the Managing Board of Siemens AG are listed on pages 101, 102 and 103 of this Annual Report. The members of the Supervisory Board of Siemens AG are presented on page 100.

25 Stock-based compensation

The Company adopted the 1999 Siemens Stock Option Plan ("the 1999 Plan"), approved by shareholders at the Annual Shareholders' Meeting on February 18, 1999, under which nontransferable stock options for an aggregate of 10 million Siemens shares without par value may be granted to key executive and management personnel of Siemens AG and its consolidated subsidiaries. The authority to grant stock options under the 1999 Plan expires on February 18, 2004. Shareholders also approved a conditional capital increase not to exceed €26 million which the Company will reserve to service the 1999 Plan.

Under the 1999 Plan, the Supervisory Board will decide annually after the end of each fiscal year how many stock options are to be awarded to the Managing Board of Siemens AG, and the Managing Board will determine how many options are to be awarded to the top managements of consolidated subsidiaries of Siemens AG and to other senior level executives of Siemens AG and its consolidated subsidiaries.

The exercise price of each option equals the average market price of the Siemens stock during the five trading days preceding the date of grant. Stock options may be exercised at any time within five years after completion of a holding period of two years from the date of grant, provided that the market price of the Siemens stock has exceeded the Dow Jones STOXX^{SM} by at least two percentage points on five consecutive trading days. This percentage applies to the first year of the five-year option exercise period, and increases by one-half of a percentage point in the second year and each of the following years of the exercise period.

Optionees may be offered treasury stock of Siemens AG or compensation in cash rather than shares of stock of Siemens AG from the conditional capital reserved for this purpose. The alternatives offered to optionees are determined by the Managing Board in each case as approved by the Supervisory Board.

Compensation in cash shall be equal to the difference between the option exercise price and the average market price of the Siemens stock on the five trading days preceding the exercise of the stock options.

Stock option activity	2000	
	Number of options exercisable into Siemens stock	Average exercise price per share
Options outstanding at beginning of year	–	–
Options granted	1,181,061	€86,60
Options exercised	–	–
Options forfeited	13,800	€86,60
pursuant to terms of exercise	[13,800]	[€86,60]
at end of option life	–	–
Options outstanding at end of year	**1,167,261**	**€86,60**
of which: Exercisable	–	–

The average remaining life of stock options outstanding at September 30, 2000 was six years.

In fiscal year 2000 the Company has granted 114,000 options to members of the Managing Board of Siemens AG. Senior level executives below Managing Board level and members of the top managements and senior level executives below top management level of domestic and foreign consolidated subsidiaries received a total of 1,067,061 stock options.

The fair value of each option granted in fiscal year 2000 was estimated as of the date of grant (November 4, 1999) using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	4.6 %
Expected dividend yield	0.94 %
Expected volatility	35.85 %
Expected option life	4 years
Fair value per option	€22.52

In fiscal year 2000, the Company incurred compensation expense of €69 million related to the 1999 Plan. This amount is based on the year-end market price of the Siemens stock less the exercise price (intrinsic value) multiplied by the number of options outstanding at the balance sheet date. This calculation assumes that the stock options, if exercised, will be serviced by treasury stock or compensation in cash.

26 Guarantees and other commitments

(in millions of euros)	9/30/00	9/30/99
Discounted bills of exchange	356	154
Guarantees	157	210
of which: Credit guarantees to subsidiaries, associated and related companies, and third parties	[40]	[5]
Warranties	3,678	3,240
of which: Guarantees to subsidiaries, associated and related companies, and third parties	[455]	[501]
Collateral for third party liabilities	5	6

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

27 Financial obligations under leases

At September 30, 2000, 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 €1,790 (1999: €1,511) million. 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.

Aggregate rental expense in fiscal year 2000 amounted to €203 (1999: €207) million. Future rental obligations under these leases are as follows (in millions of euros):

2001	2002	2003	2004	2005	thereafter
223	209	196	176	156	830

28 Other financial obligations

The Company has commitments to make capital contributions of €100 (1999: €87) million to other companies, including €10 (1999: €4) million to unconsolidated subsidiaries.

The Company is liable for capital contributions in the amount of €315 (1999: €321) million that were not fully paid in, including €308 (1999: €313) million to unconsolidated subsidiaries, as a limited partner pursuant to §171 of the German Commercial Code (HGB).

The Company is jointly and severally liable and has capital contribution obligations as a partner in companies formed under the German Civil Code (BGB), 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 consortia.

In 1994, one of the Company's indirect subsidiaries in the U.S. was sued for damages of approximately US$162 million by five independent service organizations (ISOs) and two end-user customers. The complaint asserted price collusion relating to maintenance services and unfair competitive behavior on the part of the defendant. Siemens filed a counterclaim against the five ISOs. The first trial of this case ended in the district court entering a judgment in the amount of US$2 million in favor of Siemens, dismissing the plaintiffs' claims. The matter is currently pending in the appellate court.

A legal action was filed in Lahore, Pakistan, on behalf of WAK Orient Power & Light, in connection with a transaction involving a legal predecessor of Siemens Westinghouse Power Corporation (then part of the Westinghouse group), purporting to seek damages of approximately US$1.4 billion. The action named several companies as defendants and alleged non-performance of financial obligations on the part of the defendants. Although a request for arbitration of the dispute had previously been submitted to an arbitral court in London, England, the plaintiff obtained a judgment in Pakistan in the amount of approximately US$1.4 billion for damages, which the Company has appealed. In the arbitration proceeding, the arbitral court rendered a provisional decision according to which the action pending before the civil courts in Pakistan is subject to arbitration, which will be pursued. Siemens believes the claims are without merit and will continue to vigorously defend the action.

A German-Spanish consortium, of which the Company is a member, brought action before the Administrative Tribunal of Antioquia, Colombia, requesting annulment of a non-compliance order issued by a government agency responsible for the Medellín Metro project. In its non-compliance order the agency alleges that the consortium breached the contract and asserts claims for damages against the consortium. The agency has filed a counterclaim against the consortium's action seeking US$427 million in damages without so far substantiating the alleged breach of contract with evidence supporting the claims.

The holder of the former preferred shares with multiple voting rights has instituted a valuation proceeding (*Spruchstellenverfahren*) 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. The matter will be pursued further in the light of an expert opinion, probably at the end of the year 2000.

Siemens AG, along with other major German companies, is a founding member of the "Remembrance, Responsibility and the Future" Foundation that was established by German law on August 2, 2000 to be the exclusive remedy and forum for the resolution of all claims that have been or may be asserted against German companies arising from their involvement in forced labor. Of the DM10 billion in the Foundation's fund, half will come from German companies and half from the Federal Republic of Germany. Before the law creating the Foundation was passed, representatives of the German government and German companies agreed with the U.S. government that all related class actions and individual lawsuits still pending in U.S. federal courts should be dismissed. As a result of its contribution to the Foundation's fund, the Company does not believe it will have any further liability relating to or arising out of these suits.

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. The Company has recorded certain litigation accruals which represent reasonable estimates of the probable liabilities associated with attorneys' fees and cost 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.

29 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.

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 Company's exposure through its use of derivatives. Opportunities and risks are reflected by the fair value which corresponds to the estimated amount that would have been received or paid if the derivative financial instruments had been settled at fiscal year-end.

Derivative financial instruments outstanding at fiscal year-end follow.

	Notional amount		Fair value	
(in millions of euros)	9/30/00	9/30/99	9/30/00	9/30/99
Currency portfolio				
Forward currency contracts	14,547	17,996	(341)	(89)
Interest rate and combined interest rate/currency swaps	1,530	2,494	(1)	17
Options	1,690	550	(41)	1
Other forward contracts	38	3,275	6	
	17,805	**24,315**	**(377)**	**(71)**
Interest rate portfolio				
Forward currency contracts	6,878	5,477	(103)	45
Interest rate and combined interest rate/currency swaps	11,027	10,082	(178)	(123)
Options	92	663	1	18
Other forward contracts		3,377		6
	17,997	**19,599**	**(280)**	**(54)**

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 €9,709 million and a total fair value of approximately €(279) million as well as transactions denominated in British pounds with a notional amount of €3,345 million and a fair value of approximately €(30) million.

At September 30, 2000, the total fair value of currency and interest rate portfolio derivatives was €(657) 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 euro. 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 €88 (1999: €135) 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.

30 Segment information

The Company's operating segments are organized based on the nature of products and services provided.

The Operations segments are comprised of the following businesses:

Information and Communication Networks (ICN) – ICN develops, manufactures and sells public communication systems, private business communication systems and related software, and provides a wide variety of consulting, maintenance and other services. This includes circuit switching and communication access equipment, private branch exchange systems, voice and data public telecommunication elements, and broadband network products for carrying data over the Internet. It also provides Internet core network switches, routers and related services.

Information and Communication Mobile (ICM) – ICM designs, manufactures and sells a broad range of communication devices and mobile network products and systems including mobile, cordless and corded fixed-line telephones and radio base stations, base station controllers and switches for mobile communication networks as well as mobile and wireline intelligent network systems. ICM also holds a 50% interest in the Fujitsu Siemens Computers joint venture, a leading manufacturer of personal and network computers and servers.

Siemens Business Services (SBS) – SBS provides information and communications services to customers in industry, the public sector, telecommunications, transport, utilities and finance. SBS designs, builds and operates both discrete and large scale information and communications systems and provides related maintenance and support services.

Automation and Drives (A&D) – A&D produces and installs manufacturing automation systems, drives systems, low voltage controllers and distributors, and process automation products and instrument systems.

Industrial Solutions and Services (I&S) – I&S provides a range of facilities systems and services, including general contracting, to raw materials processing companies and infrastructure customers.

Siemens Production and Logistics Systems (PL) – PL engineers and provides turnkey systems as well as related components and services for electronics assembly systems, logistics and factory automation systems, postal automation systems, and in-house transport systems.

Siemens Building Technologies (SBT) – SBT supplies products, systems and services for safety and security engineering, fire protection, heating and ventilation, and air conditioning. SBT also provides full facility management services as well as planning and engineering of large scale infrastructure projects.

Power Generation (PG) – PG provides customers worldwide with a broad range of products and services necessary for the conversion of energy into electricity and heat. This includes the design and construction of power plants, turbines and generators and the production and development of alternative energy power sources.

Power Transmission and Distribution (PTD) – PTD ensures as a product supplier, system integrator and service provider reliable and efficient transmission of electrical energy from the generating plant to the consumer. PTD provides the liberalized energy markets not only with tailormade IT solutions but also enables power suppliers to outsource the operation and servicing of their electricity supply networks under service contracts with PTD.

Transportation Systems (TS) – TS provides products and services for the rail industry, including signaling and control systems, railway electrification systems, complete heavy rail systems including rapid transit systems and locomotives, light rail systems and other rail vehicles.

Siemens Automotive (AT) – AT provides powertrain hydraulic and electronic equipment, safety and chassis electronics, driver supplemental electronic systems, and automotive electric motor drives.

Medical Solutions (Med) – Med offers diagnostic and therapy systems such as CAT scanners, hearing instruments, magnetic resonance imagers, and ultrasound and radiology devices.

Osram – Osram designs, manufactures and sells general lighting products, automotive lighting, photo/optical lighting, and opto semiconductors.

Infineon Technologies (Infineon) – Infineon's products include discrete and integrated semiconductor circuits and systems for wireless communications, computer networks, and for use in automotive and industrial applications.

The Financing and Real Estate segments are comprised of the following two businesses:

Siemens Financial Services (SFS) – SFS, the Company's international financial services segment, provides customized financial solutions and best-practice risk management.

Siemens Real Estate (SRE) – SRE owns and manages Siemens' domestic real estate portfolio and increasingly manages Siemens real estate in the U.S. and in Western Europe.

The Company's performance measure for its Operations segments in fiscal year 2000 was earnings before interest and taxes (EBIT), while performance of its Financing and Real Estate segments is measured using earnings before taxes which corresponds to income from ordinary activities before income taxes. In contrast to the performance measure used for the Operations segments, interest is a prime performance driver for the Financing and Real Estate segments.

With the exception of the amortization, depreciation and write-down charges disclosed in the segment information table on page 63, the earnings of the Company's businesses do not include any noncash items. Net income (loss) from investments in associated and related companies included in the earnings of the Company's segments was as follows (in millions of euros): ICN €22 [1999: €(55)]; ICM €(60) [1999: €(29)]; SBS €95 [1999: €17]; A&D €(2) [1999: –]; I&S €15 [1999: €11]; SBT €35 [1999: €(22)]; PG €1 [1999: €(1)]; PTD €5 [1999: €3]; TS €(4) [1999: €9]; AT €2 [1999: €(1)]; Med €2 [1999: €(3)]; Osram €(1) [1999: €10]; Infineon €102 [1999: €32]; SFS €(20) [1999: –]; SRE €5 [1999: –].

Earnings before taxes at SFS include interest income of €1,542 (1999: €1,568) million and interest expense of €1,072 (1999: €1,247) million, while earnings before taxes at SRE include interest income of €6 (1999: €41) million and interest expense of €91 (1999: €74) million.

Net capital employed, as an EBIT related indicator, is the measure used in assessing the assets of the Operations segments. Net capital employed consists of noncurrent assets, inventories less advances received from customers, accounts receivable and miscellaneous assets, with non-interest bearing liabilities being recognized as asset-reducing items. Deferred tax assets and liabilities are not components of net capital employed.

Intersegment sales are based on market prices.

Geographic segment information

(in millions of euros)	Sales by customer location 2000	1999	Sales by company location 2000	1999	Income before taxes 2000	1999
Germany	18,847	18,675	45,190*	42,029	1,655	891
Europe (other than Germany)	24,017	21,503	26,798	24,291	1,770	1,197
The Americas	21,391	16,798	23,587	16,973	386	168
Asia-Pacific	10,339	8,280	9,002	6,793	709	417
Other	3,802	3,326	989	749	68	84
Intercompany eliminations			(27,170)	(22,253)	701	113
Siemens worldwide	**78,396**	**68,582**	**78,396**	**68,582**	**5,289**	**2,870**

(in millions of euros)	Capital spending 2000	1999	Amortization, depreciation and write-downs 2000	1999
Germany	4,854	2,617	1,591	1,729
Europe (other than Germany)	1,414	1,128	1,234	823
The Americas	4,419	1,801	1,169	631
Asia-Pacific	477	340	277	233
Other	278	39	25	21
Siemens worldwide	**11,442**	**5,925**	**4,296**	**3,437**

* Includes exports to customers and subsidiaries totaling €26,343 (1999: €23,354) million shipped to the following regions: Europe (other than Germany) €10,955 (1999: €10,780) million; the Americas €4,955 (1999: €4,224) million; Asia-Pacific €7,409 (1999: €6,272) million; other €3,024 (1999: €2,079) million.

"Intercompany eliminations" under income before taxes includes only those items that cannot meaningfully be associated with specific geographic areas. All other intercompany eliminations have been allocated to those geographic regions in which the amounts were originally incurred.

Long-term assets other than intangible assets break down as follows: Germany €5,501 million; Europe (other than Germany) €3,667 million; the Americas €4,806 million; Asia-Pacific €1,206 million; and other €70 million.

(Amounts in millions of euros) **September 30, 2000**	Sales[1]	Income after taxes[1]	Equity interest in %
I. Subsidiaries – Operations			
1. Regional Companies (international)			
Siemens S.A., Brussels	640	74	100
Siemens A/S, Ballerup (Copenhagen)	401	5	100
Siemens Osakeyhtiö, Espoo (Helsinki)	200	10	100
Siemens S.A.S., Saint-Denis (Paris)	893	12	100
Siemens A.E., Elektrotechnische Projekte und Erzeugnisse, Athens	207	7	100
Siemens plc, Bracknell (London)[3]	2,339	55	100
Siemens Ltd., Dublin	215	(1)	100
Siemens S.p.A., Milan	1,003	44	100
Siemens Nederland N.V., The Hague	1,176	71[2]	100
Siemens A/S, Oslo	510	27	100
Siemens Aktiengesellschaft Österreich, Vienna[3]	2,273	302	74
Siemens S.A., Lisbon[3]	486	52	100
Siemens AB, Stockholm	829	12	100
Siemens Schweiz AG, Zurich[3]	1,261	47[5]	100
Siemens S.A., Madrid	1,272	34	100
Siemens SIA, Riga	30	2	100
Siemens Sp.z.o.o., Warsaw	165	8	100
Siemens s.r.o., Bratislava[4]	63	0	100
Siemens s.r.o., Prague	430	8	100
Siemens d.d., Zagreb[4]	77	1	97
AS Siemens, Tallinn	19	1	100
UAB Siemens, Vilnius	32	2	100
OOO Siemens, Moscow[4]	58	4	100
Simko Ticaret ve Sanayi A.Ş., Istanbul	391	10	100
Siemens Rt., Budapest[4]	139	8	100
Siemens Canada Ltd., Mississauga, Ontario	1,618	61	100
Grupo Siemens S.A. de C.V., Mexico City[3]	1,208	35	100
Siemens S.A., Buenos Aires	466	21	100
Siemens Ltda., São Paulo	930	14	100
Siemens S.A., Bogotá	97	3	94
Siemens S.A., Caracas	78	1	100
Siemens Ltd., Bayswater (Melbourne)[3]	495	4	100
Siemens Advanced Engineering Pte. Ltd., Singapore	242	4	100
Siemens Malaysia Sdn. Bhd., Kuala Lumpur	67	3	100
Siemens Ltd., Bangkok	126	9	93
Siemens Ltd., Beijing[3]	132	40	100
Siemens Ltd., Mumbai	257	21	51
Siemens Ltd., Hong Kong	93	3	100
Siemens Ltd., Seoul	12	6	100
Siemens Ltd., Taipei	41	2	100
P.T. Siemens Indonesia, Jakarta	56	3	94
Siemens K.K., Tokyo	386	9	100

(Amounts in millions of euros) **September 30, 2000**	Sales[1]	Income after taxes[1]	Equity interest in %
Siemens Inc., Manila	60	9	100
Siemens Pakistan Engineering Co. Ltd., Karachi	71	5	64
Siemens Ltd., Johannesburg[3]	537	38	100
Siemens Ltd., Cairo	58	1	90
Siemens S.A., Santiago de Chile	37	1	100
Siemens S.A., Casablanca	46	(1)	51
Siemens Ltd., Jidda	52	4	51
2. Siemens U.S.A. (Group statements)	16,200	(113)	100
3. Other subsidiaries			
Information and Communication Networks (ICN)			
Siemens Tele Industrie A.E., Thessaloniki	150	4	70
Unisphere Networks, Inc., Burlington, Massachusetts	52	[8]	96
ZWUT S.A., Warsaw	250	9	97
Egyptian German Telecommunication Industry S.A.E., Cairo	82	25	75
Siemens Information and Communication Networks, Inc., Boca Raton, Florida	1,819	[8]	100
Siemens Public Communication Networks Ltd., Bangalore	91	7	100
Siemens Information and Communication Networks S.p.A., Milan	1,280	78	100
Information and Communication Mobile (ICM)			
Siemens Shanghai Communication Terminals Ltd., Shanghai	39	4	60
Siemens Shanghai Mobile Communications Ltd., Shanghai	930	41	60
Siemens Information and Communication Products LLC Austin, Texas	217	[8]	100
Siemens Telecommunication Systems Ltd., Taipei[3]	388	28	60
Siemens Business Services (SBS)			
Siemens Business Services GmbH & Co. OHG, Munich	2,427	(30)	100
Siemens Business Services GmbH, Vienna	201	7	100
Siemens Business Services AG, Kloten (Zurich)	79	15	100
Siemens Business Services Limited, Hounslow, Middlesex	433	(20)	100
Siemens Informatica S.p.A., Milan	425	8	51
Siemens Business Services S.A., Brussels	151	(2)	100
Siemens Business Services LLC, Burlington, Massachusetts	119	[8]	100
Siemens Itron Business Services S.A., Buenos Aires	81	(4)	60
Entex IT Service, Inc., Rye Brook, New York	196	[8]	100
Automation and Drives (A&D)			
Siemens Production Automatisation S.A., Haguenau, France	70	4	100
Siemens Elektromotory s.r.o., Mohelnice, Czech Republic	126	7	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 revenue accounts are translated at the average rate of exchange for the year.
(2) Excludes extraordinary items resulting from IPO of Infineon Technologies AG, Munich.
(3) Sales and income after taxes as per consolidated financial statements.
(4) Fiscal year from January 1, 1999 to December 31, 1999.
(5) Excludes extraordinary items resulting from sale of holdings in cable TV network operator Cablecom Holding AG, Zurich.
(6) Excludes extraordinary items resulting from investments.
(7) Excludes extraordinary items resulting from sale of equity interests in Siemens Corporation, New York, to Siemens AG, Munich.
(8) Included in U.S. Group statements.

(Amounts in millions of euros)

September 30, 2000	Sales[1]	Income after taxes[1]	Equity interest in %
Siemens Energy & Automation, Inc., Alpharetta, Georgia	1,970	[8]	100
Milltronics Ltd., Peterborough, Ontario		[8]	100
Industrial Solutions and Services (I&S)			
Siemens Westinghouse Technical Services Company, Inc., Atlanta, Georgia	370	[8]	100
Siemens Production and Logistics Systems (PL)			
Siemens ElectroCom GmbH & Co., Constance, Germany	263	(30)	100
Siemens ElectroCom International, Inc., Arlington, Texas	509	[8]	100
Siemens Building Technologies (SBT)			
Siemens Building Technologies AG, Zurich[3]	585	375[6]	100
Siemens Gebäudetechnik GmbH & Co. OHG, Erlangen, Germany	1,078	21	100
Siemens Building Technologies, Inc., Buffalo Grove, Illinois	1,453	[8]	100
Power Generation (PG)			
Advanced Nuclear Fuels GmbH, Lingen, Germany	120	5	100
Siemens Power Corporation, Richland, Washington	200	[8]	100
Siemens Westinghouse Power Corporation, Orlando, Florida	3,278	[8]	100
Power Transmission and Distribution (PTD)			
Siemens Metering AG, Zug, Switzerland	145	(6)	100
Siemens Power Transmission & Distribution, LLC, Raleigh, North Carolina	466	[8]	100
Transportation Systems (TS)			
Siemens Duewag Schienenfahrzeuge GmbH, Krefeld, Germany	419	(101)	100
Siemens SGP Verkehrstechnik Ges.m.b.H., Vienna	246	2	74
Matra Transport International S.A., Montrouge (Paris)	198	1	95
Siemens Transportation Systems, Inc., Sacramento, California	331	[8]	100
Siemens Automotive (AT)			
Siemens Automotive S.A., Toulouse	551	11	100
Siemens Automotive Corp., Auburn Hills, Michigan	1,035	[8]	100
Medical Solutions (Med)			
Siemens Audiologische Technik GmbH, Erlangen, Germany	520	149	100
Siemens Health Services GmbH & Co. KG, Erlangen, Germany	46	2	100
Siemens-Elema AB, Solna (Stockholm)	384	2	100
Siemens Medical Systems, Inc., Iselin, New Jersey	1,867	[8]	100
Shared Medical Systems Corporation, Wilmington, Delaware	260	[8]	97
Osram			
Osram GmbH, Munich	1,345	122[7]	100
Osram Opto Semiconductors GmbH & Co. OHG, Regensburg, Germany	319	16	100
Osram S.A.S., Molsheim, France	195	.	100
Osram Ltd., Wembley (London)	107	.	100
Osram Società Riunite Osram Edison-Clerici S.p.A., Milan	268	9	100
Osram de México S.A. de C.V., Tultitlán	78	4	100
Osram Argentina S.A.C.I., Buenos Aires	58	4	100

(Amounts in millions of euros) **September 30, 2000**	Sales[1]	Income after taxes[1]	Equity interest in %
Osram do Brasil Companhia de Lâmpadas Elétricas Ltda., Osasco (São Paulo)	114	7	100
Osram-Melco Ltd., Yokohama	163	5	51
Osram Sylvania, Inc., Danvers, Massachusetts	2,184	[8]	100
Infineon Technologies (Infineon)			
Infineon Technologies AG, Munich	7,626	520	71
Infineon Technologies Dresden GmbH & Co. OHG, Dresden, Germany	575	56	100
Infineon Technologies Villach AG, Villach, Austria	336	43[6]	100
Infineon Technologies (Integrated Circuits) Sdn. Bhd., Malacca, Malaysia[3]	888	98	100
Infineon Technologies Asia Pacific Pte. Ltd., Singapore[3]	2,346	66	100
Infineon Technologies North America Corp., Wilmington, Delaware	1,814	[8]	100
II. Subsidiaries – Financing and Real Estate			
Siemens Financial Services (SFS)			
Siemens Financial Services GmbH, Munich	3	42	100
Siemens Finance & Leasing GmbH, Munich	.	(1)	100
Siemens Financial Services, Inc., Bridgewater, New Jersey	108	[8]	100
Siemens Finanziaria S.p.A., Milan	28	4	100
Siemens Finance S.A., Saint-Denis (Paris)	26	4	100
Schroder Leasing Ltd., Harrow, Middlesex	11	(1)	100
Siemens Real Estate (SRE)			
Siemens Immobilien Management GmbH & Co. OHG, Munich	298	19	100
Siemens Real Estate, Inc., Iselin, New Jersey	16	[8]	100
III. Associated companies			
Information and Communication Mobile (ICM)			
Fujitsu Siemens Computers (Holding) B.V., Amsterdam	2,645	(76)	50
Infineon Technologies (Infineon)			
ProMOS Technologies Inc., Hsinchu, Taiwan	573	188	33
Other (not allocatable to specific operating units)			
BSH Bosch und Siemens Hausgeräte GmbH, Munich	.	35	50
Tela Versicherung Aktiengesellschaft, Berlin and Munich	307	19	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 revenue accounts are translated at the average rate of exchange for the year.
(2) Excludes extraordinary items resulting from IPO of Infineon Technologies AG, Munich.
(3) Sales and income after taxes as per consolidated financial statements.
(4) Fiscal year from January 1, 1999 to December 31, 1999.
(5) Excludes extraordinary items resulting from sale of holdings in cable TV network operator Cablecom Holding AG, Zurich.
(6) Excludes extraordinary items resulting from investments.
(7) Excludes extraordinary items resulting from sale of equity interests in Siemens Corporation, New York, to Siemens AG, Munich.
(8) Included in U.S. Group statements.

Additional notes

to consolidated financial statements according to U.S. GAAP

Key data for FY 2000			
(in millions of euros)	German GAAP	Adjustment	U.S. GAAP
Net sales	78,396	(912)	77,484
Net income (excl. minority interest)	7,549	1,311	8,860
Shareholders' equity (excl. minority interest)	23,228	5,256	28,484

The above U.S. GAAP key data are derived from the complete consolidated financial statements prepared under U.S. GAAP, which have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft. The result of the audit is an unqualified opinion. The U.S. GAAP figures are still subject to review by the U.S. Securities and Exchange Commission (SEC).

The adjustments between the German GAAP and U.S. GAAP figures are primarily due to differences in revenue recognition (mainly "percentage of completion"), to valuation adjustments for inventories, to revaluation of marketable securities, to adjustments of pension accruals to the projected unit credit method, to capitalization of software and to deferred taxes, which are described below.

SIGNIFICANT DIFFERENCES BETWEEN GERMAN GAAP AND U.S. GAAP

Revenue recognition (long-term project business)
Under U.S. GAAP, as set forth in AICPA Statement of Position (SOP) 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts," revenues and profits on long-term contracts are recognized using the percentage-of-completion method of accounting, while under German GAAP revenues and profits on long-term contracts are recorded using the completed contract method with recognition of performance milestones where practicable.

Inventories
In line with international practice, the Company adopted a full cost recovery basis for inventory valuation. Under U.S. GAAP, as set forth in Accounting Research Bulletin (ARB) No. 43, use of the lower of cost or market (LCM) rule for inventory pricing provides a more utility-oriented approach to inventory valuation than under German GAAP, creating higher valuation bases under certain circumstances which result in reduced inventory write-down charges to arrive at the lower of cost or market amount.

Securities
According to Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the Company's securities are segregated into one of two categories: available for sale or trading. Under U.S. GAAP, available-for-sale and trading securities are carried at fair value, while under German GAAP, securities are reported at LCM. Under SFAS No. 115, changes in fair value (i.e., unrealized gains or losses) of available-for-sale securities are included in shareholders' equity as a component of other comprehensive income until such securities are sold. Changes in fair value of trading securities are recorded currently in income.

Pension accruals
In anticipation of the adoption of U.S. GAAP for the consolidated financial statements, the domestic pension obligations in the Company's German GAAP statements have been adjusted to the projected unit credit method as set forth in SFAS No. 87, "Employers' Accounting for Pensions," by a charge to extraordinary items. In the consolidated financial statements under U.S. GAAP, this adjustment is already reflected in the opening balance sheet. As a result, the former negative valuation difference in shareholders' equity has been reduced significantly.

At the end of March 2000, the Company formed a pension trust to which it transferred certain pension assets to fully cover its domestic pension obligations. The pension trust meets the criteria of a funded pension plan under U.S. GAAP. As a result, accrued liabilities and total assets are reduced on the Company's U.S. GAAP balance sheet, resulting in changed balance sheet ratios. The formation of the pension trust has no impact on the Company's accounting for pension assets and domestic pension obligations under German GAAP.

Other accruals
Under U.S. GAAP, the valuation of accruals is based on Statement of Financial Accounting Concepts (SFAC) No. 6, "Elements of Financial Statements," and SFAS No. 5, "Accounting for Contingencies." According to these statements, a liability may only be accrued if an obligation to an external party exists, it is probable that the obligation will have to be satisfied, and the amount of the obligation can be reasonably estimated. Under U.S. GAAP, the amount of accruals is determined using the most probable estimate or, where there is a range of equally probable values, accruing at the lower end of the range, while under German GAAP, accruals are valued according to the principle of conservatism. Under U.S. GAAP, expense accruals are not permitted. The Company did not exercise the option available under German GAAP to establish expense accruals.

Intangible assets
Under U.S. GAAP, as set forth in SOP No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," and SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed," the costs associated with computer software developed or obtained for internal use or to be marketed must be capitalized, while under German GAAP the capitalization of self-created noncurrent intangible assets is not permissible.

Leasing
Valuation differences between U.S. GAAP and German GAAP resulting from operating leases, where the Company remains the economic owner of the leased assets, and finance leases entered into by Siemens Financial Services (SFS) are not significant, since the Company's accounting procedures – in the absence of explicit regulations under German GAAP – generally reflect U.S. GAAP rules (SFAS No. 13, "Accounting for Leases").

Derivative financial instruments
Under U.S. GAAP, as set forth in SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," all derivative instruments are measured at fair value and recognized on the balance sheet. Changes in the fair value of derivatives that do not meet the criteria for hedge accounting are recognized in the statement of income. Under German GAAP, unrealized losses on derivatives are recognized in income while unrealized gains are not recognized in the financial statements.

Deferred taxes
Under U.S. GAAP, accounting for deferred taxes is generally based on the temporary concept as set forth in SFAS No. 109, "Accounting for Income Taxes," while accounting under German GAAP uses the timing concept. According to SFAS No. 109, deferred income taxes are provided for the effects of all temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated balance sheet. Temporary differences under U.S. GAAP also include quasi-permanent differences, i.e. differences that will reverse only at the end of a corporation's life or upon prior sale of land or long-term investments. In addition, deferred taxes are recognized for net operating loss carryforwards, with valuation allowances being established when necessary to reduce deferred tax assets to the amounts expected to be realized.

	2000	1999	1998	1997	1996
Sales and earnings *(amounts in millions of euros)*					
Net sales	78,396	68,582	60,177	54,672	48,153
Gross profit on sales	23,424	19,491	16,318	15,492	14,045
Research and development expenses	5,593	5,236	4,664	4,158	3,730
as a percent of sales	7.1	7.6	7.8	7.6	7.7
Income after taxes before extraordinary items	3,381	1,865	1,359	1,333	1,274
Extraordinary items	4,520		(890)		253
Net income	7,901	1,865	469	1,333	1,527
Assets and funds employed *(amounts in millions of euros)*					
Noncurrent assets	33,413	28,698	26,582	23,710	20,763
Current assets	45,842	32,797	30,695	26,449	23,976
Shareholders' equity	25,640	17,200	15,488	14,524	12,884
as a percent of total assets	32	28	27	29	29
Pension accruals	12,449	11,109	10,124	10,027	9,535
Other accrued liabilities	14,019	11,929	12,041	10,267	10,144
Debt	9,134	7,262	7,406	4,706	3,159
Debt-to-equity ratio	0.36:1	0.42:1	0.48:1	0.32:1	0.24:1
Maturing after one year	6,222	4,079	4,326	2,652	1,281
Total assets	79,255	61,495	57,277	50,159	44,739
Cash flows[1] *(in millions of euros)*					
Net cash provided	8,154	5,713	1,998	2,082	2,386
Depreciation and amortization	4,057	3,436	3,880	2,689	2,407
Net cash used in investing activities	(2,209)	(4,625)	(2,932)	(3,687)	(3,219)
Additions to intangible assets, property, plant and equipment, and equipment leased to customers	(5,189)	(3,816)	(3,714)	(3,443)	(3,278)
Purchases of investments and acquisitions of businesses[2]	(6,169)	(2,082)	(3,884)	(1,520)	(1,076)
Net cash (used in) provided by financing activities	(1,054)	(1,742)	1,962	952	(496)
Net increase (decrease) in cash and cash equivalents	4,952	(280)	926	(623)	(1,286)
Employees					
Employees[3] *(in thousands)*	447	443	416	386	379
Employee costs *(in millions of euros)*	26,601	23,126	20,132	19,460	18,385

(1) Major reclassifications were made in fiscal year 2000; only 1999 amounts have been restated for comparative purposes.
(2) In the statement of cash flows, the prior "Purchases of investments and noncurrent marketable securities" has been split into "Purchases of investments" and "Acquisitions of businesses." In contrast to the former presentation, acquired cash and cash equivalents are no longer included. Only 1999 amounts have been restated for comparative purposes.
(3) Without temporary student workers and trainees.
(4) German Society of Investment Analysts and Asset Managers (new computation formula).
(5) Aftertax amortization relating to goodwill and other purchased intangibles.
(6) German Society of Investment Analysts and Asset Managers (old computation formula).
(7) XETRA closing prices, Frankfurt.

	2000	1999	1998	1997	1996
Key capital market data *(in euros, unless otherwise indicated)*					
EVA (before extraordinary items) *(in millions of euros)*	859	(658)	(1,105)		
DVFA/SG earnings per share (new formula)[4]	5.07	2.63	1.38		
DVFA/SG earnings per share (new formula)[4] plus amortization charges[5]	5.71	3.09	1.60		
DVFA/SG earnings per share (old formula)[6]		3.17	2.24	2.38	2.29
Dividend per share	2.40	1.00	0.77	0.77	0.77
Siemens stock price[7]					
High	191.51	86.30	70.87	66.47	43.95
Low	75.98	40.39	46.17	36.20	36.86
Year-end (September 30)	146.00	77.40	47.19	61.02	41.14
Siemens stock performance over prior year *(in percentage points)*					
compared to DAX® index	+ 57.88	+ 63.23	– 30.00	– 6.98	– 8.33
compared to Dow Jones STOXX℠ index	+ 63.95	+ 47.85	– 26.13	– 2.79	– 8.16
Number of shares *(in millions)*	589	595	595	571	560
Market capitalization *(in millions of euros)*	85,939	46,037	28,068	34,852	23,036
Credit rating of long-term debt					
Standard & Poor's	AA	AA	AA	AAA	AAA
Moody's	Aa3	Aa3	Aa1	Aa1	Aaa

Quarterly data *(in millions of euros)*	2000	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Net sales	78,396	24,074	18,871	19,040	16,411
Income after taxes before extraordinary items	3,381	1,144	832	780	625

	1999	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Net sales	68,582	21,460	15,835	16,551	14,736
Income after taxes before extraordinary items	1,865	799	356	383	327

Siemens AG – Statement of income and balance sheet
(condensed version) *(in billions of euros)*

Years ended September 30	2000	1999
Net sales	31.6	34.7
Cost of sales	(22.8)	(26.5)
Gross profit on sales	8.8	8.2
Other functional costs	(8.5)	(8.3)
Other income and expenses, net	1.7	1.2
Income before income taxes	2.0	1.1
Income taxes	(0.3)	(0.2)
Extraordinary items (after taxes)	0.2	0.9
Net income	1.9	1.8
Profit available for distribution	1.4*	0.9

* Including distribution of an extra dividend of €0.6 billion.

September 30	2000	1999
Property, plant and equipment	1.7	1.5
Investments	17.5	14.6
Noncurrent assets	19.2	16.1
Inventories	2.3	1.1
Accounts receivable	17.3	15.9
Marketable securities, liquid assets	14.0	9.6
Total assets	52.8	42.7
Shareholders' equity	13.8	13.4
Accrued liabilities and special reserves	16.5	15.1
Debt	0.3	0.8
Other liabilities	22.2	13.4
Total shareholders' equity and liabilities	52.8	42.7

SUPERVISORY BOARD*

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

Additional positions
Supervisory Board:
Allianz AG
Deutsche Bank AG
E.ON AG
Linde AG
MG Technologies AG
Schering AG
ThyssenKrupp 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
E.ON AG
Münchener Rückversicherungs-Gesellschaft 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 Direktbank AG
BGAG Beteiligungsgesellschaft der Gewerkschaften AG (Chairman)
Deutsche BauBecon AG
Luitpoldhütte AG (until May 2000)
Treuhandverwaltung IGEMET GmbH (Chairman)

Jean Gandois
Chairman of the Supervisory Board,
Suez Lyonnaise des Eaux S.A.

Additional positions
Supervisory Board:
Akzo Nobel N.V.
Rodamco Continental Europe N.V.
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.

Birgit Grube
Office clerk

Heinz Hawreliuk
Head of the Company
Codetermination Department,
IG Metall

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

Ralf Heckmann
Chairman of the
Combined Works Council,
Siemens AG

Robert M. Kimmitt
Vice Chairman of
Commerce One, Inc.

Additional positions
Supervisory Board:
Mannesmann AG

Board of Directors:
Allianz Life Insurance Co.
United Defense Industries, Inc.
Xign Corporation

Heinz Kriwet, Dr. rer. pol.
Chairman of the Supervisory Board,
ThyssenKrupp AG

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

Group positions:
ThyssenKrupp Steel AG
(Chairman)

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

Additional positions
Supervisory Board:
Aventis S.A.
Bayerische Motoren Werke AG

Georg Nassauer
Steel casting constructor

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

Additional positions
Supervisory Board:
Allianz AG
Münchener Rückversicherungs-Gesellschaft AG

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

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

Additional positions
Supervisory Board:
BASF AG
Dresdner Bank AG
E.ON AG
Linde AG
MAN AG
Münchener Rückversicherungs-Gesellschaft AG
ThyssenKrupp AG

Board of Directors:
Vodafone AirTouch Plc

Group positions
Supervisory Board:
Allianz Versicherungs-AG (Chairman)
Allianz Lebensversicherungs-AG (Chairman)

Board of Administration:
Assurances Générales de France S.A.
Elvia Versicherungen AG

Board of Directors:
Fireman's Fund Corporation
RAS S.p.A. (Vice President)

Georg Seubert
Fitter

Peter von Siemens
Industrial manager

Additional positions
Supervisory Board:
Münchener Tierpark Hellabrunn AG (Deputy Chairman)

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

Additional positions
Board of Administration:
Credit Suisse Group

Klaus Wigand
Industrial clerk

Erwin Zahl
Telecommunications installer

* German corporation law mandates establishment of a supervisory board, with the power to review and approve major strategies and actions proposed by a company's managing board (which is equivalent to the board of directors in U.S. corporations). A supervisory board also reviews and discusses a corporation's financial statements and related topics, including allocation of retained earnings and payment of dividends. A supervisory board meets at defined intervals during the year and maintains close contact with the Managing Board throughout the year.

MANAGING BOARD

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

Outside positions

Supervisory Board:
Bayer AG
Hochtief AG
Münchener Rückversicherungs-Gesellschaft AG
Volkswagen AG

Company positions

Supervisory Board:
Siemens Aktiengesellschaft Österreich, Vienna
(Chairman)

Volker Jung, Dr. Eng. h. c.

Outside positions

Supervisory Board:
Direkt Anlage Bank AG
MAN AG
EPCOS AG
(Chairman)

Company positions

Supervisory Board:
Infineon Technologies AG
(Chairman)

Comparable positions:
Siemens A.E., Athens
(Chairman)
Siemens Information and Communication Networks, Inc., Boca Raton
Siemens Ltd., Johannesburg
(Deputy Chairman)

Roland Koch

Company positions

Supervisory Board:
Fujitsu Siemens Computers B.V., Amsterdam
Siemens Osakeyhtiö, Helsinki
(Deputy Chairman)

Comparable positions:
Iranian Telecommunication Manufacturing Company, Shiraz
Siemens Information and Communication Networks, Inc., Boca Raton
(Chairman)
Siemens Ltd., Bangkok
(Chairman)
Siemens Sherkate Sahami, Teheran
(Chairman)

Edward G. Krubasik, Prof. Dr. rer. nat.

Outside positions

Supervisory Board:
Dresdner Bank AG
KSB AG
STINNES AG

Company positions

Supervisory Board:
BSH Bosch und Siemens Hausgeräte GmbH

Comparable positions:
Siemens A/S, Oslo
Siemens Building Technologies AG, Zurich
(Chairman)
Siemens France S.A., Saint-Denis
Siemens S.A., Brussels
(Chairman)

Rudi Lamprecht

Outside positions

Supervisory Board:
Knorr Capital Partner AG

Company positions

Supervisory Board:
EWW Wien
Fujitsu Siemens Computers B.V., Amsterdam
(Chairman)

Comparable positions:
ITALDATA S.p.A., Avellino
Siemens Information and Communication Mobile LLC, Austin
Siemens France S.A., Saint-Denis
Siemens S.A., Brussels
Siemens Telematica S.p.A., Santa Maria Capua Vetere

Heinz-Joachim Neubürger

Outside positions

Supervisory Board:
Allianz Versicherungs-AG
Bayerische Handelsbank AG
TELA Versicherung AG
(Chairman)

Company positions

Supervisory Board:
Infineon Technologies AG
Siemens Kapitalanlage-gesellschaft mbH
(Chairman)

Comparable positions:
Siemens Corp., New York
(Deputy Chairman)

Peter Pribilla, Prof.

Supervisory Board:
Deutsche Krankenversicherung AG

Company positions

Comparable positions:
Grupo Siemens S.A. de C.V., Mexico City
Siemens Canada Ltd., Mississauga
Siemens Corporation, New York
(Chairman)
Siemens Information and Communication Networks, Inc., Boca Raton
Siemens Information and Communication Mobile LLC, Austin

Jürgen Radomski

Outside positions

Supervisory Board:
Expo-Beteiligungsges. d. Dt. Wirtschaft mbH & Co. KG
IMT GmbH
LINCAS GmbH

Company positions

Supervisory Board:
BSH Bosch und Siemens Hausgeräte GmbH
(Chairman)
Osram GmbH
(Chairman)
Siemens Aktiengesellschaft Österreich, Vienna
Siemens Osakeyhtiö, Helsinki

Comparable positions:
Siemens A/S, Copenhagen
Siemens Building Technologies AG, Zurich
Siemens-Elema AB, Stockholm
Siemens Holdings plc, Bracknell
Siemens Nederland N.V., The Hague
Siemens Rt., Budapest
(Chairman)
Siemens S.A., Madrid
(Deputy Chairman)
Siemens Schweiz AG, Zurich
(Deputy Chairman)
Siemens S.p.A., Milan
(Deputy Chairman)
Simko Ticaret ve Sanayi A.Ş., Istanbul

Uriel J. Sharef, Dr. rer. pol.

Company positions

Comparable positions:
Siemens Ltd., Brazil
Siemens Power Transmission & Distribution, LLC, Raleigh
Siemens Ltd., Israel
(Chairman)

Claus Weyrich, Prof. Dr. phil. Dr.-Ing. E. h.

Company positions

Supervisory Board:
Infineon Technologies AG

Comparable positions:
Siemens Corporate Research, Inc., Princeton
(Chairman)

Günter Wilhelm, Dr.-Ing. E. h.
(until 9/30/00)

Outside positions

Supervisory Board:
Deutsche Messe AG
Philipp Holzmann AG

Company positions

Supervisory Board:
BSH Bosch und Siemens Hausgeräte GmbH

Comparable positions:
Siemens K.K., Tokyo
(Chairman)
Siemens Ltd., Mumbai

Klaus Wucherer, Dr.-Ing.

Company positions

Supervisory Board:
Infineon Technologies AG

Comparable positions:
Eviop-Tempo A.E., Euboea
Siemens Energy & Automation, Inc., Alpharetta
(Chairman)
Simko Ticaret ve Sanayi A.Ş., Istanbul
Yaskawa Siemens Automation & Drives K.K., Kitakyushu
(Chairman)

As of December 1, 2000

Corporate structure

Managing Board

Heinrich v. Pierer, Dr. jur. Dr.-Ing. E. h.
President and
Chief Executive Officer
CD
Special responsibilities: CC, ECR

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

Edward G. Krubasik, Prof. Dr. rer. nat.
Special responsibilities: PL, SBT, TS, AT, CT

Heinz-Joachim Neubürger
CF
Special responsibilities: SFS, SRE

Peter Pribilla, Prof.
CP
Special responsibilities: IK, MCP
North America (NAFTA)

Operations

Information and Communications

Information and Communication Networks (ICN)
Roland Koch
Hans-Walter Bernsau
Anthony Maher
Andy W. Mattes
Anton Hendrik Schaaf

Information and Communication Mobile (ICM)
Rudi Lamprecht
Hans-Joachim Kohlsdorf
Lothar Pauly

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

Automation and Control

Automation and Drives (A&D)
Helmut Gierse
Johannes Feldmayer
Anton S. Huber
Hans M. Strehle

Industrial Solutions and Services (I&S)
Konrad Pernstich
Udo N. Wagner, Dr. rer. oec.

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

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

Power

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

Power Transmission and Distribution (PTD)
Heinrich Hiesinger, Dr.-Ing.
Hans-Jürgen Schloß, Dr.-Ing.

Transportation

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

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

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

Jürgen Radomski
Special responsibilities: Med, Osram, eB, GPL
Europe

Uriel J. Sharef, Dr. rer. pol.
Special responsibilities: PG, PTD
Latin America

Klaus Wucherer, Dr.-Ing.
Special responsibilities: A&D, I&S
Asia, Australia

Günter Wilhelm, Dr.-Ing. E. h.
(until 9/30/00)

Roland Koch ICN

Rudi Lamprecht ICM

Claus Weyrich, Prof. Dr. phil. Dr.-Ing. E. h. CT

Medical

Medical Solutions (Med)
Erich R. Reinhardt, Prof. Dr.-Ing.
Hermann Requardt, Dr. phil. nat.
Götz Steinhardt

Lighting

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

Infineon Technologies AG*
Ulrich Schumacher, Dr.-Ing.
Peter Bauer
Peter Fischl
Sönke Mehrgardt, Dr. rer. nat.
Andreas v. Zitzewitz, Dr.-Ing.

* Siemens' stake currently more than 50%

Financing and Real Estate

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

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

Corporate Departments

Corporate Finance (CF)
Heinz-Joachim Neubürger
Charles Herlinger
Karl Heinz Midunsky
Albrecht Schäfer, Dr. jur.

Corporate Personnel (CP)
Peter Pribilla, Prof.
Günther G. Goth

Corporate Technology (CT)
Claus Weyrich, Prof. Dr. phil. Dr.-Ing. E. h.
Horst Fischer, Dr. rer. nat.

Corporate Development (CD)
Heinrich v. Pierer, Dr. jur. Dr.-Ing. E. h.
Reinhart Bubendorfer
Pamela Knapp
Michael Mirow, Prof. Dr. rer. pol.

Corporate Offices

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

e-Business (eB)
Albert Goller

Chief Economist / Corporate Relations (ECR)
Bernd Stecher, Dr. sc. pol.

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

Information and Knowledge Management (IK)
Chittur Ramakrishnan

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

as of January 1, 2001

Glossary of important terms

Acquisition	The act of taking over one company by another; usually accomplished by the purchase of a controlling portion of the acquired company's stock.
Asset management	The process of managing corporate assets in order to enhance operational efficiency while minimizing costs and associated risks.
Backup facilities	Bank line of credit to provide liquidity support to an organization in the event of unfavorable capital markets.
Benchmarking	A technique used to compare the products, services, processes and financials within an organization, in relation to "best of practice" in other similar organizations.
Business portfolio	The aggregate total of business areas in which Siemens is active.
Cash flow	The net cash inflow or outflow for a specific time period.
Cash management	The management of cash and cash equivalents within an organization to optimize financial activities.
Consolidated financial statements	Financial statements that bring together all assets, liabilities, net worth, and operating figures of two or more affiliated companies, as though the business were in fact a single economic entity. Duplications in items are eliminated so that the combined figures do not show more assets and equities than actually exist.
Cost of capital	The rate that a company must pay for its capital.
Debt-to-equity ratio	Total long-term debt divided by total shareholders' equity. This is a measure of leverage – the use of borrowed money to enhance the return on shareholders' equity. The higher the ratio, the greater the leverage.
Divestments	Sale of activities or corporate divestiture (spin-off, carve-out) that results in a subsidiary or division becoming an independent company.
Domestic Pension Fund	Includes the domestic pension assets and pension accruals which are administered as if they belonged to an external fund. Most of the pension assets are managed by Siemens Kapitalanlagegesellschaft mbH (SKAG).
DVFA/SG	Short for "Deutsche Vereinigung für Finanzanalyse und Anlageberatung/Schmalenbach-Gesellschaft," the German Society of Investment Analysts and Asset Managers, an association of banking and economic experts.
EBIT	Short for "earnings before interest and taxes." Net income before interest cost and income tax expense.
EBITA	Short for "earnings before interest, taxes and amortization." Primary financial measure of operating income before noncash amortization of intangible assets, after charges for depreciation.
EBITDA	Short for "earnings before interest, taxes, depreciation and amortization." In order to focus more closely on operating results, depreciation and amortization is added back to EBIT to calculate EBITDA.
E-business	Also "e-biz," short for "electronic business." The aggregate total of information flows and transactions with products and services through electronic networks, including the Internet and related technologies and concepts.
E-commerce	Short for "electronic commerce." E-commerce is a part of e-business and is defined as transacting or enabling the marketing, buying, and selling of goods and/or information, usually through the Internet.
Emerging markets	Markets of newly industrialized countries (NICs), such as in Latin America, Southeast Asia and Eastern Europe.
E-procurement	Short for "electronic procurement." A generic term for using the Internet and other open networks to perform the procurement function; a B2B (business-to-business) application.
Equity method	Valuation method used to account for holdings in companies whose business policy can be significantly influenced (associated companies).
Equity ratio	The proportion of shareholders' equity to total funds employed.
EVA	Short for "economic value added." As a measure, EVA is equal to net operating profit after taxes (NOPAT) less a charge for the capital employed in the business (cost of capital).
Financing and Real Estate	The worldwide leasing, lending, financing and real estate activities of Siemens Financial Services (SFS), Siemens Real Estate (SRE), and Siemens Corporate Treasury.
Functional costs	Functional costs include cost of sales, R&D expenses, marketing and selling expenses, and general administration expenses.
GASC	Short for "German Accounting Standards Committee." An independent registered association to develop, among other things, accounting standards for application in the area of consolidated financial reporting.

German GAAP	Short for "Generally Accepted Accounting Principles in Germany." The accounting concepts, measurements, techniques and standards of presentation used in financial statements in Germany pursuant to the German Commercial Code (HGB).
Goodwill	The excess of the fair value of net assets acquired over cost resulting from a business combination accounted for as a purchase.
Hedging	A strategy used to minimize exposure to changes in prices, interest rates or exchange rates by means of derivative financial instruments (options, swaps, forward contracts, etc.).
Joint venture	A form of business partnership between two or more companies to engage in a commercial enterprise with mutual sharing of profits and losses.
M-business	Short for "mobile business." Mobile business is a part of e-business and describes the new business models enabled by the massive deployment of key mobile and wireless technologies and devices.
Medium Term Note Program	Flexible financing framework providing for the issuance of notes in rotation in the context of a program unrestricted in time (constant issue). The notes may be issued in several tranches, with terms and conditions and time of issue being determined in accordance with then current goals and prevailing market conditions.
Moody's Investors Service	Independent rating agency that provides evaluation of securities investment and credit risk.
Net capital employed	Consists of long-term assets plus excess of current assets over current non-interest bearing liabilities.
NOPAT	Short for "net operating profit after tax." Profit before interest and taxes net of adjustments to eliminate financing and accounting distortions, minus taxes.
Operations	The most important of the three major components of Siemens, comprising all activities of the Siemens organization worldwide with the exception of Financing and Real Estate and the Domestic Pension Fund.
Purchase method	Valuation method used to account for shareholders' equity of subsidiaries included in the consolidated financial statements.
R&D	Short for "research and development."
Rating	Standardized evaluation of issuers' credit standing and debt instruments, carried out by specialized agencies (such as Standard & Poor's or Moody's Investors Service).
Registered shares	Shares of stock registered in the name of the owner on the books of the issuer.
Risk management	Systematic process of identifying, assessing and monitoring various financial risk factors and of selecting and implementing measures to handle them.
RORAC	Short for "return on risk adjusted capital." An analysis tool commonly used in the banking industry to estimate line of business profitability.
SEC	Short for "Securities and Exchange Commission." The primary federal agency in the U.S. responsible for regulating the financial reporting practices of most publicly owned corporations in connection with the buying and selling of stocks and bonds.
Shareholder value	Concept that focuses strategic and operational decision-making on steadily increasing corporate value, ensuring that investors receive a reasonable return on their investment.
Siemens Corporate Treasury	A corporate function responsible for ensuring the availability of company-wide financing and cash management, including consulting services involving issues of corporate finance, interest rates and currencies, liquidity management and all other questions related to the financial management of operations.
SKAG	Short for "Siemens Kapitalanlagegesellschaft mbH."
Standard & Poor's	Independent rating agency that provides evaluation of securities investment and credit risk.
Stock options	Form of employee incentive and compensation. The employee is given an option to purchase a company's shares if certain targets are met under specified conditions.
Ten-Point Program	The Ten-Point Program to achieve sustained growth in profitability was launched by Siemens in July 1998 and includes, among other things, a major reorientation of the business portfolio. Each point of the program will have been implemented by spring 2001, when Siemens is scheduled to be listed on a U.S. stock exchange.
Turnkey project	A project in which a supplier contracts to design, build and deliver a completed facility or package ready for operation.
U.S. GAAP	Short for "United States Generally Accepted Accounting Principles." The accounting concepts, measurements, techniques and standards of presentation applicable to financial statements in the U.S.
UMTS	Short for "Universal Mobile Telecommunications System." Third generation mobile communications standard that will provide broadband services optimized for high-speed data, mobile Internet and applications based on intranets, extranets and mobile multimedia.
Volatility	The degree of fluctuation for a given price or rate, such as a stock price or currency exchange rate.

Information resources

INFORMATION ON CONTENTS

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

For information in the U.S., please contact us at our toll-free number: 1-800-Siemens (1-800-743-6363).

FOR COPIES PLEASE CONTACT

e-mail	over.inform@mchw.siemens.de
Internet	http://www.siemens.com/financialreports/
Telephone	+49 89 636-32910
Fax	+49 89 636-32908

This Annual Report is also available in French, German and Spanish. An abbreviated version has been prepared in Japanese.

In addition to our Annual Report, you can order our Environmental Report and our Corporate Citizenship Report at the address provided above.

FOR INTERNAL ORDERS

LZF, Fürth-Bislohe

Intranet	http://c4bs.spls.de
Fax	+49 911 654-4271
German	Order no. A19100-F-V052
English	Order no. A19100-F-V052-X-7600
French	Order no. A19100-F-V052-X-7700
Spanish	Order no. A19100-F-V052-X-7800

Please include postal address and complete order number when ordering.

ADDRESS

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

Designations used in this report may be trademarks whose use by third parties for their own purposes could violate the rights of their owners.

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

Layout
Kai Brüninghaus Kommunikationsdesign, Hamburg

Photography
Peter Rüssmann, Hamburg (pages 4–11, 39)
Regina Recht, Munich (President and CEO, page 12; Chairman of the Supervisory Board, page 34; Corporate Executive Committee, page 16)
Siemens AG, Munich (Member of the Managing Board, page 19; Group Presidents, pages 21–31)

Production
Publicis MCD Werbeagentur GmbH

© 2000 by Siemens AG, Berlin and Munich

Siemens financial calendar*

Interim report October to December	Jan. 31, 2001
Annual Shareholders' Meeting Olympiahalle, Munich, 10:00 a.m.	Feb. 22, 2001
Ex-dividend date	Feb. 23, 2001
Semiannual Report and Semiannual Press Conference	Apr. 26, 2001
Interim report October to June	July 25, 2001
Preliminary figures for fiscal year	Nov. 14, 2001
Annual Press Conference	Dec. 6, 2001
Annual Shareholders' Meeting for fiscal 2001	Jan. 17, 2002

* Preliminary dates

Siemens Aktiengesellschaft

Order No. A19100-F-V052-X-7600