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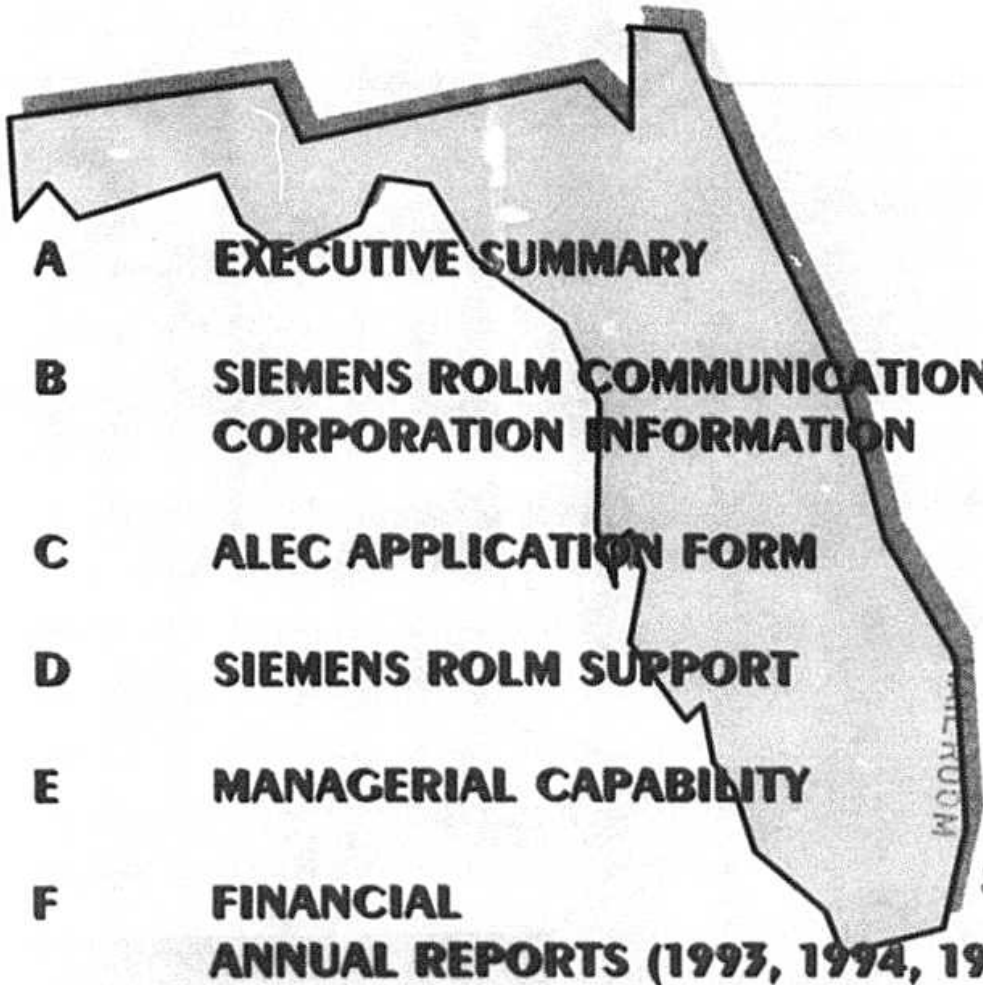
SIEMENS
ROLM Communications

Initials of person who forwarded check:

A.J.

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- C ALEC APPLICATION FORM**
- D SIEMENS ROLM SUPPORT**
- E MANAGERIAL CAPABILITY**
- F FINANCIAL ANNUAL REPORTS (1993, 1994, 1995)**

- ACK _____
- AFA _____
- AFM _____
- CAF _____
- CMH _____
- CTP _____
- ESP _____
- LES _____
- LS _____
- ROH _____
- SEL _____
- WTS _____

SIEMENS
ROLM Communications

Carolyn Franz
State of Florida Account Manager

Siemens ROLM Communications Inc.
2600 Mallard Center Parkway, Ste. 300
Maitland, FL 32751
Tel (407) 661-2260
Fax (407) 661-226

DOCUMENT NUMBER-DATE

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SERVICES COMMISSION
96 AUG 28 AM 10:59

SIEMENS
ROLM Communications

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960999

DEPOSIT TREAS. REC.

D367

AUG 29 '96



A EXECUTIVE SUMMARY

07/16/96 11187241
RSAP 5123638 5

SIEMENS
ROLM Communications

PO Box 58149 Santa Clara, CA 95052-8149

DOCUMENT NO	P.O. NUMBER	GROSS	DISCOUNT	NET AMOUNT
CR 33538 ALTERNATIVE LOCAL TELEPHONE SERVICE REQUEST		250.00	.00	250.00
TOTALS		250.00	0.00	250.00

11187241

DETACH THIS END BEFORE DEPOSITING.

THE FACE OF THIS CHECK HAS A COLORED BACKGROUND - NOT A WHITE BACKGROUND

SIEMENS
ROLM Communications

PO Box 58149 Santa Clara, CA 95052-8149

FIRST UNION NATIONAL BANK
CHAPEL HILL, NORTH CAROLINA
66-156
531

11187241

VOID AFTER NINETY DAY

07/16/96 11187241 51236385

*****250.00***

PAY TO THE ORDER OF: FIFTY HUNDRED FIFTY DOLLARS AND NO CENTS

Siemens Rolm Communications Inc.

FLORIDA PUBLIC SERVICE CORP.
2540 SHUMARD OAK BLVD.
TALLAHASSEE, FL 32399-0850

[Signature]

TO THE ORDER OF:

SIEMENS
ROLM Communications

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forwarded to Fiscal for deposit.
Fiscal to forward a copy of check
to RAR with proof of deposit.

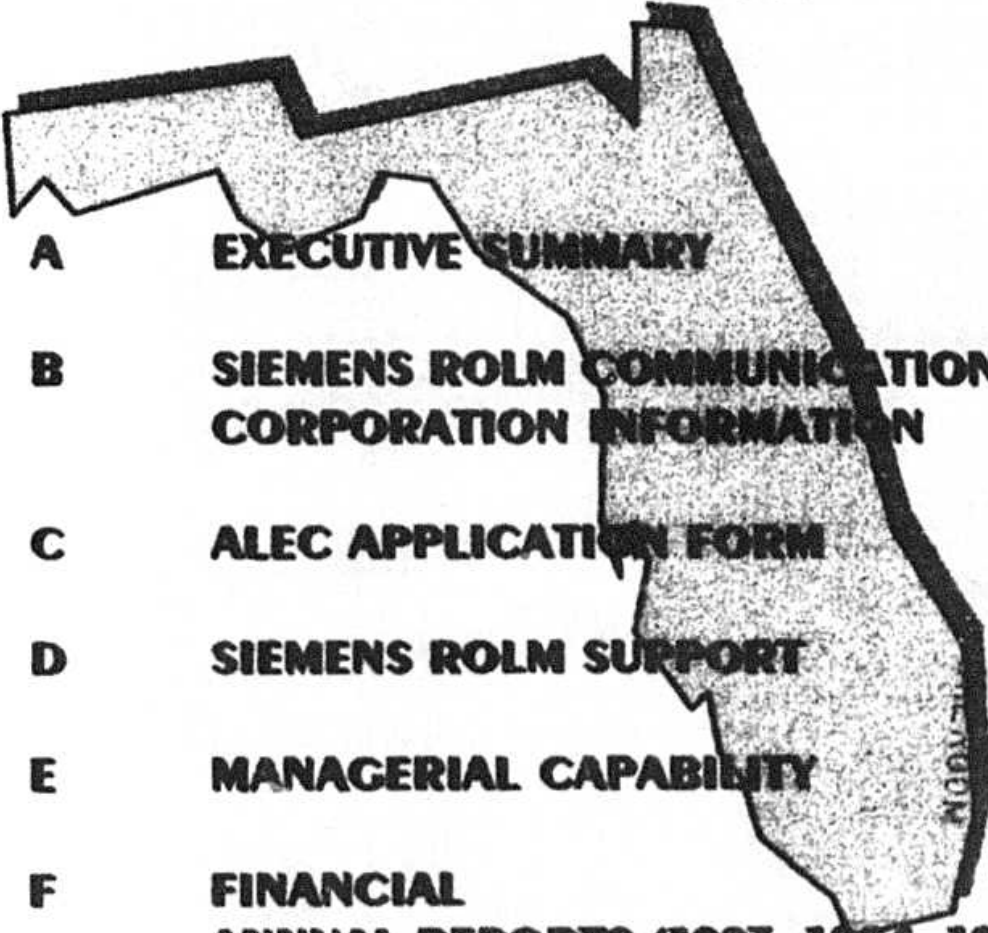
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D367

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FISCAL UNIT
SERVICE COMMISSION
36 AUG 28 AM 10 59

SIEMENS

ROLM Communications

EXECUTIVE SUMMARY

Siemens Rolm Communications Inc. is requesting that the Florida Public Service Commission grant our corporation the authority to provide alternative Local Exchange Service within the State of Florida.

This proposal will provide the necessary information required for ALEC Certification. Categories for your review are:

- Corporate Information
- ALEC Application Form
- Siemens Rolm Support
- Manager Capabilities
- Financial Reports - 1993-1995

An additional book has been included which addresses the technical capability section. As an example of such we have provided system descriptions for one of our PBX product lines.

The State of Florida has been home to Siemens Corporation for many years. Six different Siemens companies are located in Florida, employing over 4,000 people. Two of the largest companies are in the telecommunications field: Siemens Stromberg-Carlson, manufacturer of central office equipment and Siemens Rolm Communications, provider of Business Communications products and services.

We believe that this proposal meets the requirements as specified by your commission application form. If you have additional questions or comments, please contact me at (407) 661-2260

Sincerely,



Carolyn Franz
State of Florida Account Manager

Siemens Rolm Communications Inc.

2600 Maitland Center Parkway
Suite 300
Maitland, FL 32751

Tel: 407-660 2200
Fax: 407-661 2261

SIEMENS

ROLM Communications

Siemens Rolm, based in Santa Clara, Calif., is the North American arm of **Siemens Private Communication Systems Group**, the world leader in private telecommunications systems with more than 500,000 customers and one million systems installed worldwide. Annual sales were \$4.8 billion in fiscal year 1994/95. **Siemens Private Communications Systems** has approximately 23,900 employees worldwide of which about 5,500 are employed by **Siemens Rolm**.

Career Opportunities:

See our [current employment openings](#)

Siemens A.G. of Berlin and Munich is a major force in the global electrical engineering and electronics industry. In fiscal year 1994/95, annual sales were \$61.6 billion, a 13 percent increase over the previous year.

Business Solutions Provider

Siemens Rolm Communications is a leading provider of cost-effective and efficient business solutions for private telecommunications customers. The company's long-standing heritage in private telephony, coupled with its founding of computer-telephony integration (CTI), makes it the most experienced player in the marketplace.

Siemens' commitment to customers is illustrated by its ability to provide organizations with applications that cut costs, increase efficiency and improve customer service. **Siemens Rolm Communications**, as part of **Siemens Private Communications Networks Group**, is the only company that provides multinationals with a single point of contact for integrated sales and service in 120 countries, for both large and small communications systems.

For small businesses, an important market for **Siemens Rolm**, we have developed OfficePoint, the United States' first low-cost, high-speed ISDN system, supporting as many as sixteen lines. A key link in the creation of an accessible information super highway, OfficePoint enables and eases transmission and reception of voice, data, image and video via a single telephone line.

Leader in Integration

To help customers realize the benefits of voice and data convergence, **Siemens** offers ComManager for inexpensive integration of full voice and data at the desktop; and ResumeRouting, which directs customer calls in real time to agents knowledgeable about their needs and ready to help. **Siemens** specializes in call centers, messaging, telecommuting, wide area networking and outsourcing services, including the remote management of private communications systems. These offerings complement our continued commitment to traditional products. **Siemens** makes the only full line of modular telephones in North America, allowing customers to upgrade their telephones with easy-to-add, snap-on option modules.

To foster development of product offerings and capabilities that address the specific needs of customers, the **Siemens Rolm Ready Developers Program** provides affordable technical and marketing support to third-party software developers whose products interoperate with ours.

Siemens Rolm Communications has entered the multibillion-dollar North American wireless

communications market through its recently established Wireless Terminals Division, located in Richardson, Texas.

The company is bringing advanced wireless communications handsets to wireless service operators in the U.S. and worldwide.

To further encourage the evolution of uniform standards, **Siemens** joined with Apple Computer, AT&T and IBM in 1995 to form the Versit initiative to develop and promote open specifications for integrating digital communications products from different manufacturers.

Siemens Rolm customer service is known for its reliability and responsiveness. Four call centers staffed with nearly 400 skilled employees deliver round-the-clock service response anywhere in the U.S.

Additionally, remote monitoring performed by the **Rolm** Customer Support Centers clears 60 percent of reported troubles, often before customers are aware of them.

History

Siemens history began almost 150 years ago with a communications product: the pointer telegraph. Today, the tradition of innovation continues. Annually, **Siemens AG** is consistently ranked among the top corporations granted the most U.S. patents. The company employs approximately 48,000 scientists and engineers worldwide, and spent \$5.1 billion on research and development, out of its sales of \$61.6 billion, for the 94/95 fiscal year. This constitutes one of the largest research budgets of any company in the world.

The original **ROLM Corporation** was founded in 1969 and marketed the industry's first digital private branch exchange system -- called the CBX for Computerized Branch Exchange -- in 1975. In November 1984, IBM acquired the company. Four years later, **ROLM's** development and manufacturing operations became a wholly owned subsidiary of **Siemens**, while the marketing and service functions became a joint venture operation owned by IBM and **Siemens**.

In May 1992, **Siemens** acquired IBM's remaining interest in **ROLM Company**, and in October 1994, the name **Siemens Rolm Communications Inc.** was adopted.

With headquarters in Santa Clara, Calif., **Siemens Rolm** has manufacturing facilities in Austin, Tex. and Cherry Hill, N.J., while research and development centers are in Santa Clara, Austin, and Boca Raton, Fla.

Career Opportunities:

See our [current employment openings](#)

See our home page at <http://www.siemensrolm.com>

Siemens Rolm Communications
4900 Old Ironsides Dr.
Santa Clara, CA 95052
email: hyo.j.kim@siemensrolm.com

[Back to the Career Magazine Home Page](#)

Siemens Rolm is First Telecommunications Company in U.S. to Achieve Complete ISO 9000 Certification

Headquarters and Several Additional Locations Certified

SANTA CLARA, Calif., June 24, 1996 -- Siemens Rolm Communications today became the first United States telecommunications company to earn complete ISO 9000 certification under the International Standards Organization's (ISO) guidelines. The unique accomplishment was achieved when the company was presented with a certificate of ISO 9001 compliance for its Santa Clara headquarters; all field sales and service locations; customer service and support centers; and development group in Boca Raton, Florida.

Reaching certification was the culmination of a two-and-one-half year effort that involved Siemens Rolm management at all levels. The company's manufacturing facilities in Austin, Texas, and Cherry Hill, New Jersey were awarded ISO certification in August 1993 and December 1994, respectively. Globally, Siemens Private Communications Systems became ISO 9001-compliant three years ago.

According to Jack McCormack, manager of Quality Programs, the certification is unique because many organizations choose to limit ISO 9000 certification to manufacturing and development, or to certify only the areas customers specifically request. As part of the company's mission to provide a highly integrated approach to telecommunications, Siemens Rolm decided to certify the entire company.

"ISO certification is a globally recognized federation of national standards bodies," said McCormack. "Our customers can be confident in knowing that no matter what part of Siemens Rolm they transact business with, they are working with a high quality organization."

Siemens Rolm

Siemens Rolm is a leading provider of private telecommunications solutions and CTI applications, pioneering CTI in the mid-1980s, as well as PBX-to-host and -LAN interfaces. Siemens Rolm is part of Siemens Private Communications Systems, the world's largest supplier of private telecommunications systems, with annual sales of approximately \$4.9 billion and more than 500,000 customers and a million systems installed worldwide. Telecommunications and networking accounted for more than 20 percent of Siemens AG's sales of \$61.6 billion in the fiscal year 1994-95.

CONTACT: [Karron Esmundt](#) | [John T. Evans](#)

Siemens Rolm is a registered trademark of Siemens Rolm Communications Inc.

Siemens Rolm Communications Inc.

For solutions that deliver bottom-line results, Siemens Rolm relies on an "intelligent telecommunications architecture." This is a suite of applications designed to meet the needs of business in the '90s and beyond.

The way we differentiate our offerings is through outstanding service -- the kind that focuses on helping you stand out among your competitors.

The quality of our **Ownership Services** program touches every aspect of your relationship with Siemens Rolm. From maintenance to training, equipment, financing, investment protection, and network consulting, our goal is to make your relationship with our company as pleasant, productive, and profitable as possible.



Workpoint Communications, defines a comprehensive focus on products and services designed to maximize the productivity of individuals by making communications easy, orderly and automated.

Workgroup Solutions, support group and organizational efforts at communicating better, allowing them to become more productive and efficient.



Switching, is one of the core components that provides value added features, such as intelligent processing connections for voice, video, data and image.

Information Transport, encompasses products and services to overcome the barriers of geography and system isolation to ensure the right tools are available to the right individuals.



Management Resources, provides a family of information, administration and strategic management tools and services to maintain peak efficiency of each customers solution.

These products and services assure you of compatible, cost-effective solutions across your entire telecommunications system, now and in the future.

Siemens Rolm products are distributed through nearly 150 sales and services locations serving more than 30,000 customers in the U.S. and Canada. Headquartered in Santa Clara, California, the company has approximately 6,000 employees, manufacturing facilities in three U.S. cities, and three research and development centers.

Corporate Headquarters

Siemens Rolm Communications Inc.
 4900 Old Ironsides Drive
 Santa Clara, CA 95054
 Telephone:(408) 492-2000
 1-800-ROLM123
 Fax:(408) 492-3430

Siemens Rolm's Santa Clara site is headquarters for marketing, sales, service, manufacturing, product management, design and development, and finance.

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The History of Siemens in Telecommunications

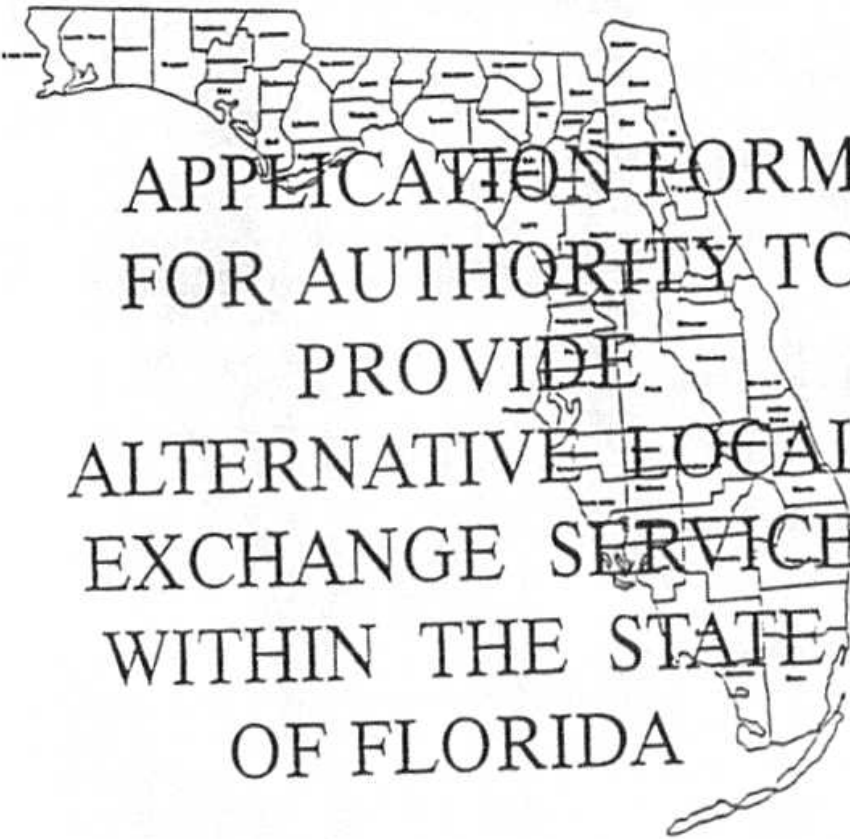
Siemens was founded in Germany in 1847 as the Siemens and Halske Telegraph Manufacturing Company. Today, Siemens is one of the world's largest electrical and electronics companies, with operations in over 190 countries and approximately \$61.6 billion in sales for fiscal year 94/95. Telecommunications has played a central role throughout Siemens' 147-year history.

Thirty-eight years before the incorporation of AT&T, Siemens designed and installed the first commercial telegraph system and a 7,000 mile telegraph link between London and Calcutta. In 1874, Siemens laid the first transatlantic cable between the U.S. and Europe, introducing almost instantaneous communications between the two continents.

Siemens has captured the leadership of the worldwide private communication marketplace, and is dedicated to strengthening its market position in the U.S. Siemens has been distributing its PBX products through distributors and supply houses since 1978, and in 1986 acquired Tel Plus, then the largest independent interconnect in the U.S. Two years later, Siemens acquired the development and manufacturing operations of ROLM, a leading supplier of digital PBX products and applications. Siemens and IBM also established a marketing and services partnership for ROLM products in the U.S. In May 1992, Siemens completed its acquisition of ROLM, making ROLM the U.S. arm of Siemens Private Communication Systems. Siemens and IBM continue to jointly market voice and data solutions, and together they are involved in a number of global joint ventures for development of advanced technologies and applications. In October 1992, Siemens consolidated all of its U.S. private communication business units into a single company now called Siemens Rolm Communications Inc.

Siemens continues to play a major role in developing global telecommunications. In 1984, Siemens introduced the world's first, and still leading, ISDN PBX to the European market, and in 1989 moved worldwide ISDN terminal development to the U.S. Siemens has especially strong know-how in building worldwide corporate networks and in wireless telephony applications.

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APPLICATION FORM
FOR AUTHORITY TO
PROVIDE
ALTERNATIVE LOCAL
EXCHANGE SERVICE
WITHIN THE STATE
OF FLORIDA

FLORIDA PUBLIC SERVICE COMMISSION
CAPITAL CIRCLE OFFICE CENTER - 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

APPLICATION FORM
for

AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE
WITHIN THE STATE OF FLORIDA

INSTRUCTIONS

1. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing alternative local exchange certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee.
2. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.
3. Use a separate sheet for each answer which will not fit the allotted space.
4. If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Communications, Certification & Compliance Section
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0866
(904) 413-6600

5. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of \$250 made payable to the Florida Public Service Commission at the above address.
-

1. This is an application for (check one):

(X) Original authority (new company)

() Approval of transfer (to another certified company)

Example, a certificated company purchases an existing company and desires to retain the original certificate authority.

() Approval of assignment of existing certificate (to a noncertificated company)

Example, a non-certificated company purchases an existing company and desires to retain the certificate of authority rather than apply for a new certificate.

() Approval for transfer of control (to another certificated company)

Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of applicant:

Siemens Rolm Communications, Inc.

3. A. National mailing address including street name, number, post office box, city, state, zip code, and phone number.

**Siemens Rolm Communications, Inc.
4900 Old Ironside Drive
Santa Clara, CA 95052
(408) 492-2000**

B. Florida mailing address including street name, number, post office box, city state, zip code, and phone number.

**Siemens Rolm Communications, Inc.
2600 Maitland Center Parkway
Suite 300
Maitland, FL 32751
(407) 660-2200**

C. Physical address of alternative local exchange service in Florida including street name, number, post office box, city, zip code and phone number.

Please see above

4. Structure of organization:

- Individual Corporation
 Foreign Corporation Foreign Partnership
 General Partnership Limited Partnership
 Joint Venture Other, Please explain _____

5. If incorporated, please provide proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Corporate charter number: F94000005687

6. Name under which the applicant will do business (d/b/a):

Siemens Rolm Communications, Inc.

7. If applicable, please provide proof of fictitious name (d/b/a) registration.

Fictitious name registration number: N/A

8. If applicant is an individual, partnership, or joint venture, please give name, title and address of each legal entity.

N/A, Siemens Rolm Communications Inc. is a corporation.

9. State whether any of the officers, directors, or any of the ten largest stockholders have previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

No

10. Please provide the name, title, address, telephone number, Internet address, and facsimile number for the person serving as ongoing liaison with the Commission, and if different, the liaison responsible for this application.

Carolyn Franz (407) 661-2260
State of Florida Account Executive (407) 661-2261 (fax)
2600 Maitland Center Parkway
Suite 300
Maitland, FL 32779 Internet=**CRFRANZ@MSN.COM**

11. Please list other states in which the applicant is currently providing or has applied to provide local exchange or alternative local exchange service.

Siemens Rolm is considering ALEC service in other states on a case-by-case basis.

12. Has the applicant been denied certification in any other state? If so please list the state and reason for denial.

No

13. Have penalties been imposed against the applicant in any other state? If so, please list the state and reason for penalty.

No

14. Please indicate how a customer and file a service complaint with your company.

Siemens Rolm is a 24/7 service provider. Customers can contact us through our 1-800-TEL-ROLM number for service, engineering services, etc. Please see Appendix D, "Siemens Rolm Support" for additional information.

15. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide alternative local exchange service in Florida.

A. Financial capability

Regarding the showing of financial capability, the following applies:

The application should contain the applicant's financial statements for the most recent 3 years, including:

1. the balance sheet
2. income statement
3. statement of retained earnings.

Further, a written explanation, which can include supporting documentation, regarding the following should be provided to show financial capability.

1. Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

Siemens Rolm has done business with the State of Florida for years. We have met all procurement requirements for State of Florida PABX contracts for over 12 years.

2. Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.

See Appendix F, "Financial-Annual Reports"

3. Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

See Appendix F, "Financial-Annual Reports"

Note: This documentation may include, but is not limited to financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.

If available, the financial statements should be audited financial statements.

Our financial statement is an audited statement.

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should attest that the financial statements are true and correct.

- B. Managerial capability.

See Appendix E, "Managerial Capability"

- C. Technical capability.

See the "Technical Capability" alternate book provided for system description on one family of our products.

For additional information on our managerial or technical capability, please contact us on the Internet at siemensrolm.com.

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange service in the State of Florida. I have read the foregoing and declare that to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".

Official:



Signature

August 27, 1997

Date

Title:

Gene M. Flores

Director of Sales

(813)282-2101

Telephone Number

Address:

1511 N. Westshore Blvd., Suite 250

Tampa, FL 33607

Siemens Rolm Support Centers

Siemens Rolm Customer Support Centers (RCSCs) provide remote systems monitoring, diagnostics and repair, technician dispatch, software and hardware moves, adds and changes, and consultative services.

Customers can reach the RCSC supporting their system by calling 1-800-TEL-ROLM from anywhere in the country. Depending on where the customer is located, one of four RCSCs will handle their call. All Siemens Rolm customers with maintenance service agreements have their systems monitored or polled by the RCSC.

Some Siemens Rolm national accounts are handled by the Siemens Rolm National Customer Support Center (NCSC), located in Rolling Meadows, Illinois. The NCSC can be reached by calling 1-800-NAT-ROLM from anywhere in the country. The Systems/Services Support Center (S/SSC) provides second- and third-level technical support. This center is staffed with specialists in particular Siemens Rolm and non-Siemens Rolm products.

Center Locations

**Customer Support Center
Burlington, Massachusetts**
24 New England Executive Park
Burlington, MA 01803
Telephone: 1 (800) TEL-ROLM

**Customer Support Center
Vienna, Virginia**
2070 Chain Bridge Road, Suite 600
Vienna, VA 22182-2590
Telephone: 1 (800) TEL-ROLM

**Customer Support Center
Santa Clara, California**
4500 Great America Parkway
Santa Clara, CA 95054
Telephone: 1 (800) TEL-ROLM

**Siemens Rolm National
Customer Support Center
(NCSC)**
Rolling Meadows, Illinois
1701 Golf Road, Tower II
Suite 1000
Rolling Meadows, IL 60008
Telephone: 1 (800) NAT-ROLM

**Customer Support Center
Rolling Meadows, Illinois**
1701 Golf Road, Tower II
Suite 1000
Rolling Meadows, IL 60008
Telephone: 1 (800) TEL-ROLM

**Systems/Services Support Center
Irving, Texas**
1630 Corporate Court
Irving, TX 75038
Telephone: (214) 518-2233

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Enhanced Productivity Through Extraordinary Services



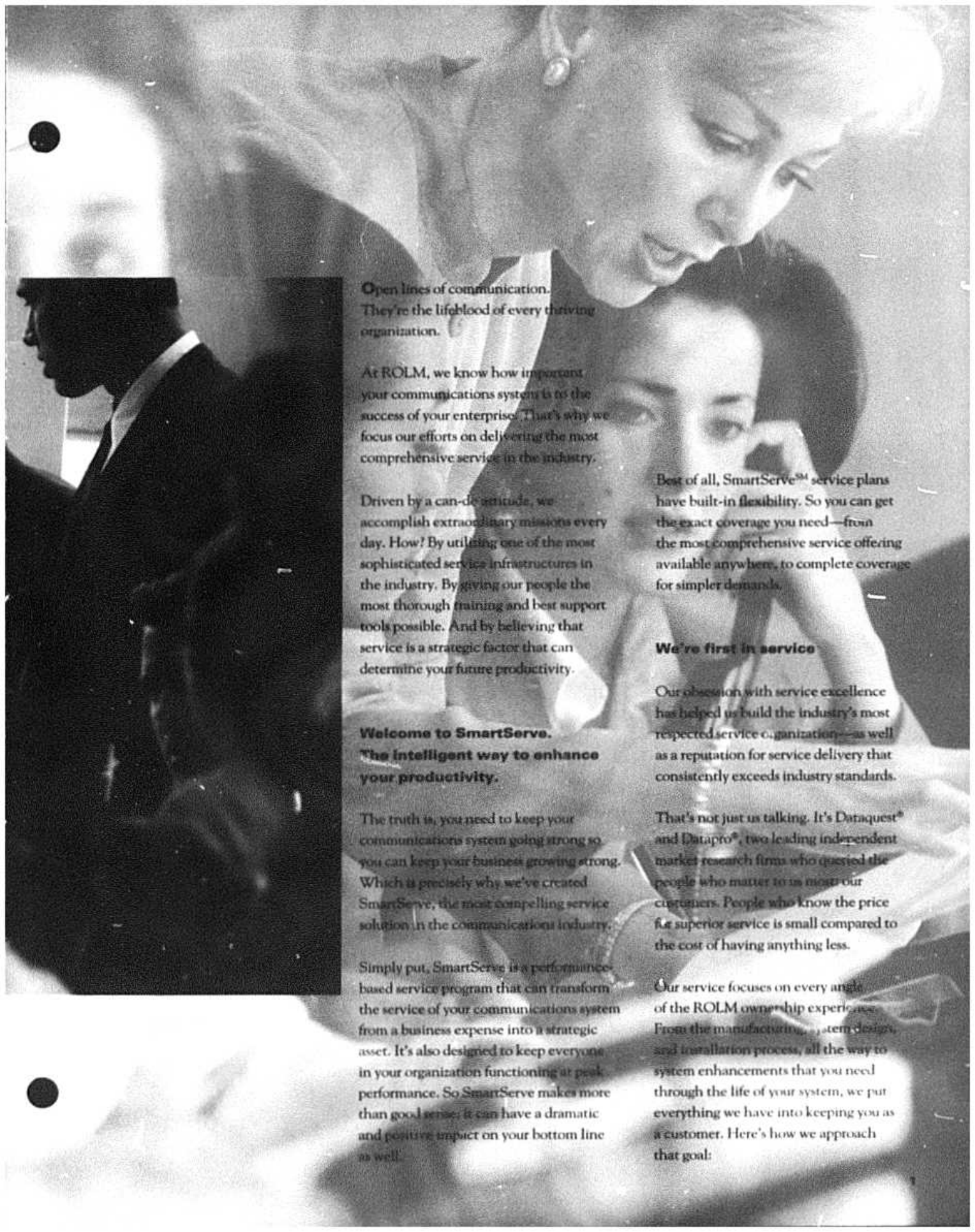
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Your Reputation Rests On Every Call.
Which Is Why We Never Rest

At ROLM, we know how important your communications system is to the success of your enterprise. That's why we focus our efforts on delivering the most comprehensive service in the industry.

SmartServe

Simply put, SmartServe is a performance-based service program that can transform the service of your communications system from a business expense into a strategic asset.



Open lines of communication.
They're the lifeblood of every thriving organization.

At ROLM, we know how important your communications system is to the success of your enterprise. That's why we focus our efforts on delivering the most comprehensive service in the industry.

Driven by a can-do attitude, we accomplish extraordinary missions every day. How? By utilizing one of the most sophisticated service infrastructures in the industry. By giving our people the most thorough training and best support tools possible. And by believing that service is a strategic factor that can determine your future productivity.

Welcome to SmartServe.
The intelligent way to enhance your productivity.

The truth is, you need to keep your communications system going strong so you can keep your business growing strong. Which is precisely why we've created SmartServe, the most compelling service solution in the communications industry.

Simply put, SmartServe is a performance-based service program that can transform the service of your communications system from a business expense into a strategic asset. It's also designed to keep everyone in your organization functioning at peak performance. So SmartServe makes more than good sense; it can have a dramatic and positive impact on your bottom line as well.

Best of all, SmartServeSM service plans have built-in flexibility. So you can get the exact coverage you need—from the most comprehensive service offering available anywhere, to complete coverage for simpler demands.

We're first in service

Our obsession with service excellence has helped us build the industry's most respected service organization—as well as a reputation for service delivery that consistently exceeds industry standards.

That's not just us talking. It's Dataquest[®] and Datapro[®], two leading independent market research firms who queried the people who matter to us most: our customers. People who know the price for superior service is small compared to the cost of having anything less.

Our service focuses on every angle of the ROLM ownership experience. From the manufacturing, system design, and installation process, all the way to system enhancements that you need through the life of your system, we put everything we have into keeping you as a customer. Here's how we approach that goal:



We Mind Your Phones So You Can Mind Your Business

Putting The Best People To Work For You

Most service providers respond when you call them. At ROLM, however, we prefer to be even more responsive. We don't simply repair problems, but take steps to make sure those problems don't occur.

Our telesupport group, for example, actually calls you. Even if everything is running smoothly, we'll still get in touch to see if there's anything we can do for you. Thinking about making some changes to your system? Adding applications? We can help you implement them in the most efficient way possible.

This proactive approach is also built into our products. We've built in self-monitoring diagnostics, automatic error reporting features, and extensive remote capabilities. Our customer engineers and support centers can maintain and repair many aspects of your system without having to show up at your door.



Siemens has over
28,000 employees
dedicated to
the sales and
service of private
communication
systems.



**All ROLM
customer
engineers are
equipped with
hand-held
portable
terminals that
give them the
ability to respond
faster to your
service needs.**

allowing you customer engineer to quickly identify problems and return you to full productivity much faster. Additionally, with its extensive lab and test equipment, the ROLM Systems/Services Support Center provides second level technical support on all ROLM products and applications.

Engineers Carry Service Wherever They Go


Communication is also enhanced via the portable terminal every customer

engineer carries. The portable terminal is a hand-held communications device linked to ROLM's nationwide information system. Within minutes customer engineers can receive data on your system and plan the most appropriate service strategy. They can check on parts availability, place orders, and communicate directly with the ROLM Customer Support Center (RCSC) and other field personnel.

And all before the engineer gets to your site. So you can get back to work in minutes instead of hours.

For Your Information...

The portable terminal is just one way ROLM has advanced service to new levels. With a portable terminal, every ROLM CE has immediate access to the information needed to serve you better. We're online to save you time.

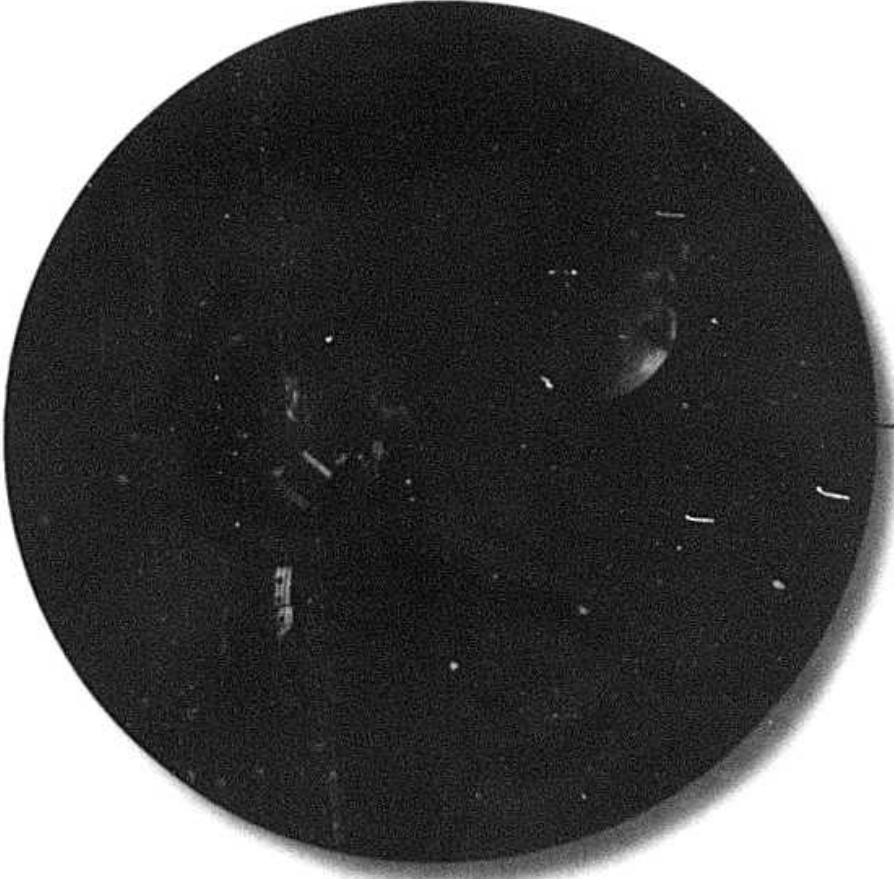


**You Never Know When You're Going To Need Service.
So We Never Stop Providing It**

Local Focus With Regional Customer Support Centers

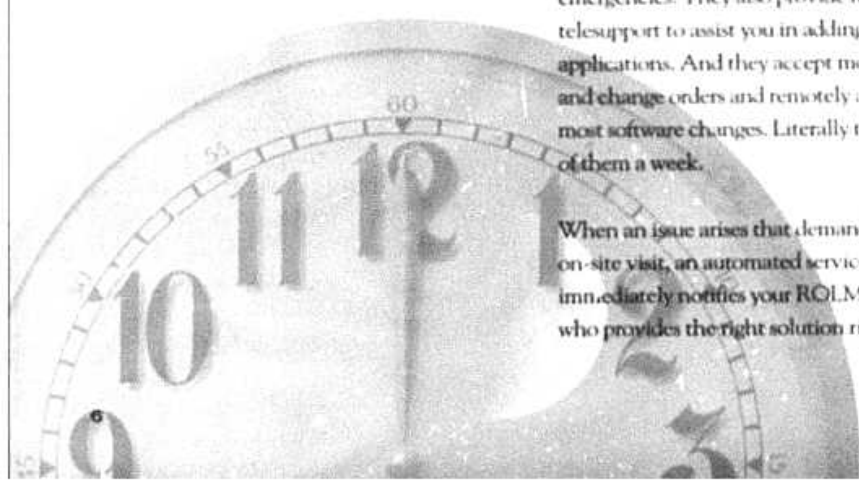
When it comes to servicing your systems, we don't have business hours. Instead, our ROLM Customer Support Center (RCSC) operates 24 hours a day, 365 days a year. Here you'll find highly trained customer service representatives to handle all your service inquiries.

The RCSC quickly responds to all service requests, whether your ROLM system alerts us automatically or you call our toll-free number. There are RCSCs across the country, each with access to the same shared database. If for some reason the RCSC in your region loses the ability to communicate, your service call is automatically routed to one of the others. You get uninterrupted service coverage.



With access to full online system histories, the RCSC can remotely repair your system problem, typically in less than an hour. However, the RCSC handles more than emergencies. They also provide full telesupport to assist you in adding new applications. And they accept moves, adds and change orders and remotely administer most software changes. Literally thousands of them a week.

When an issue arises that demands an on-site visit, an automated service system immediately notifies your ROLM CE, who provides the right solution right away.



Using remote
detection,
diagnosis and
repair, ROLM
can clear most
problems
remotely,
before you ever
see them.



Keeping Track Keeps You On Top

It's 3 AM...do you know where your service is? You will when you're a ROLM customer.

Regardless of the time, we can give you an up-to-the-minute status report of your service request.

We also monitor all service calls and tally the results against established goals. By creating benchmarks, we're able to track our own performance, and make sure you always get the service you deserve.

When Disaster Strikes, We Strike Back

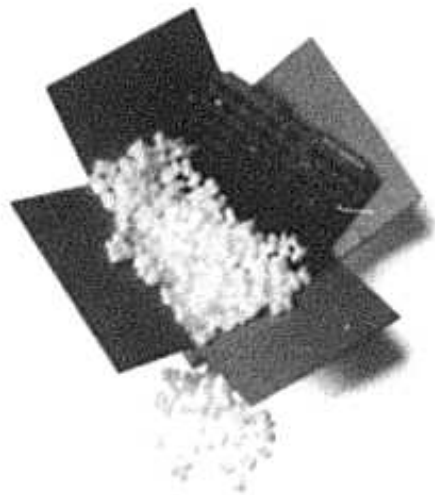
"After the Chicago flood, our business resumption process was greatly enhanced by ROLM's expedient efforts. The technicians worked flawlessly and the ROLM organization delivered above and beyond all expectations."

Ray C.
Vice President of Computer Services,
LeSalle Bank

ROLM's national service organization is uniquely qualified to handle any emergency. And if we can respond the morning after a flood, or hurricane, or earthquake...imagine what we can do for you any day of the week.



Our Concern Is Genuine And, So Are Our Parts



Inventory and Delivery Systems That Keep You Up and Running

You may not care what kind of parts go into repairing your phone system. But ROLM CEs do. Which is why they only use ROLM engineering approved parts.

CEs know that only parts from ROLM contain the latest engineering changes to maximize your system's performance, making them the only parts to deliver the functionality that made you want a ROLM CBX in the first place.

To provide you with the fastest service possible, ROLM CEs carry the most commonly needed parts in their vehicles. For parts required less frequently, we either store them at our regional parts centers or at locations near you. Either way, you get a great part a great deal faster.

Our parts management system provides on-line information regarding the location and availability of all ROLM parts. Your ROLM CE can tap into the ROLM parts inventory system via a portable terminal and find the exact part you need. It can then be ordered and sent directly to your site.

Because we don't install what's convenient. Only what's correct.

Hurricane Andrew brought down over 120 ROLM customer phone systems. Within 36 hours, most were back in service.



Siemens Private Communication Systems has over 400,000 customers worldwide.



Before We Put It In Service, We Put The Service In It

Quality Programs to Maximize Your Confidence in ROLM

ROLM service doesn't begin when you purchase a system. It starts much earlier, going all the way back to the initial system design.

ROLM service personnel are actively involved in creating and building ROLM systems. Since they're the people who have the closest relationship with you, they're able to bring your perspective to the process. In fact, ROLM features are the results of customer requests.

Our stringent manufacturing and testing are additional ways we provide superior performance and value. We have long been recognized for our quality approach to manufacturing. That's where ROLM people are actively encouraged to think of new and better ways to build our products.

This fact, combined with our proven commitment to service, keeps ROLM communications systems—and ROLM customers—at the forefront of today's business world.

And really, that's the only place worth being.

Have We Got A Plan For You...

Flexible and innovative, the SmartServe service plans have been created for your needs today—as well as for the way business will be conducted in the 21st century.



With SmartServe, you get the most complete service warranty in the telecommunications industry, plans that provide the exact level of coverage you need and price protection for the term of your contract. The ultimate in reliability, security and value, SmartServe is a corporate asset that doesn't cost—it pays you back again and again.

To learn more about SmartServe—and other ROLM services and products designed to drive better business productivity for your organization—call your local ROLM sales representative today.



ROLM
P.O. Box 58075
4900 Old Ironsides Drive
Santa Clara, CA 95052-8075

1-800-ROLM-123

G522-2269-00

ROLM reserves the right to change specifications without notice.

Due to the diversity of telecommunications, not all models or features are available in all countries. Customers outside the U.S.A. and Canada should consult their local sales representatives to confirm product availability.

Printed in the United States of America.
5/94

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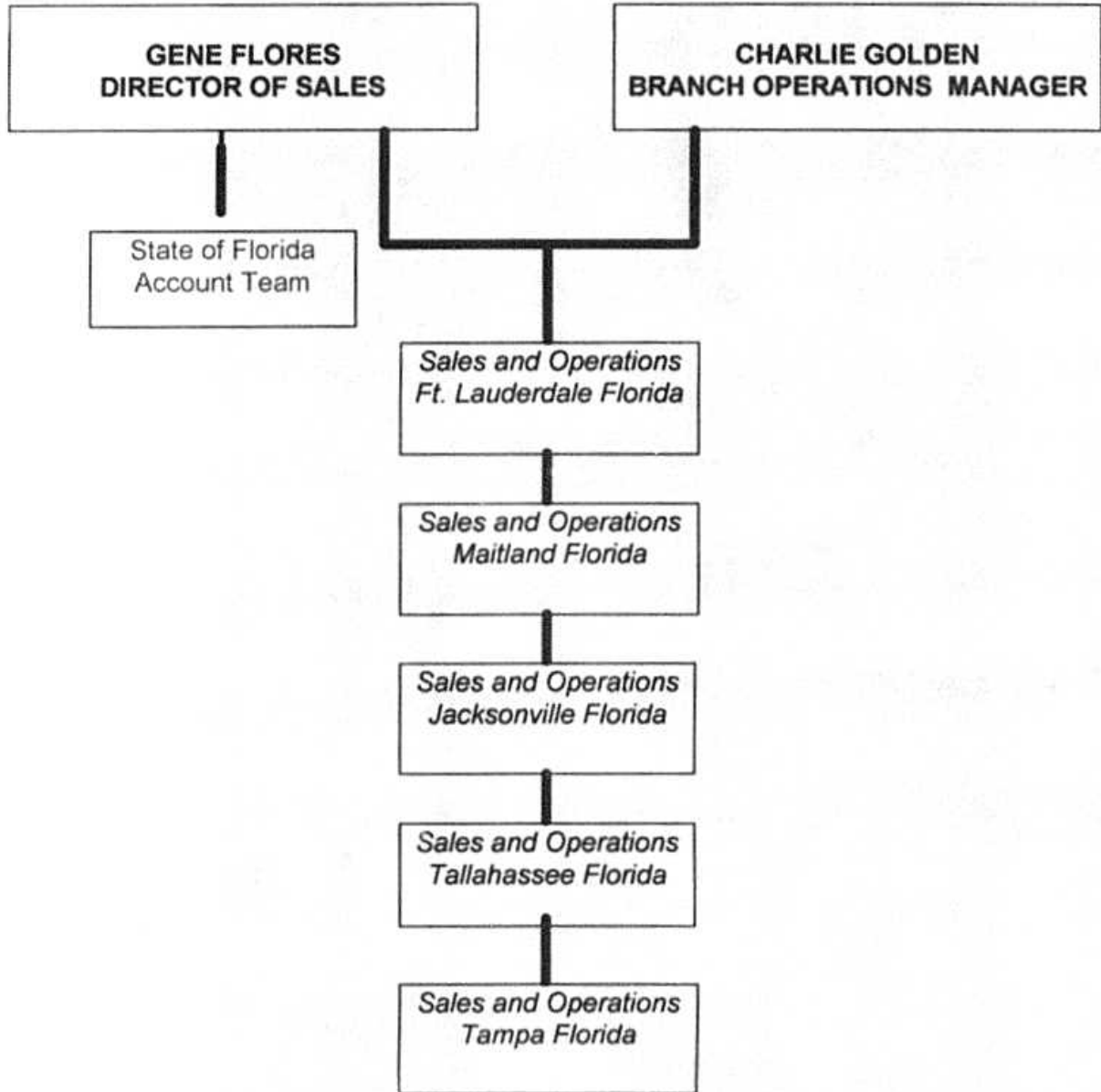
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FLORIDA SALES/SERVICE BRANCH



Siemens Worldwide

Siemens AG is the corporate parent of Siemens business units and holdings worldwide.

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Dr. Heinrich von Pierer, President and CEO

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Fax: 011-49-89-722-31000

PN Executive Officers

Dr. Dietrich Botsch, Group President
Dr. Jost Hammerschmidt, Vice President
Werner Schmucking, Vice President

Business Segment Contributions, 94/95

		Percent of Sales
Power Generation		8.4%
Power Transmission and Distribution		5.9%
Industrial and Building Systems		9.3%
Drives and Standard Products		7.4%
Automation		6.9%
Communication		19.7%
Public Communication Networks	10.5%	
Private Communication Systems	7.0%	
Network Systems	0.9%	
Defense Electronics	1.3%	
Information		12.9%
Transportation Systems		4.6%
Automotive Systems		3.2%
Medical Engineering		6.8%
Semiconductors		4.2%
Passive Components, Electronic Tubes		1.9%
Electromechanical Components		1.1%
Lighting		5.5%
Other		2.2%

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SIEMENS

Annual Report '93

Siemens at a glance

Siemens*	1993	Change
New orders	86,438	- 1%
Sales	78,005	+ 4%
Employees	413,000	- 5%
Capital expenditures and investments	8,574	- 22%
Research and development	7,554**	+ 2%
Net income	1,955	+ 1%
as a percent of sales	2.5	
as a percent of shareholders' equity	10.0	
Total dividend of Siemens AG	727	
Dividend per share in DM	13.00	

Amounts in millions of German marks (DM) unless stated otherwise

* Siemens includes Siemens AG and companies in Germany and other countries in which Siemens AG directly or indirectly has a majority of the voting rights and which are included in the consolidated financial statements.

The Annual Report contains the consolidated financial statements of Siemens AG, the Managing Board's combined general review of Siemens AG and Siemens worldwide consolidated for the 1993 fiscal year, as well as additional information not required by law.

The annual financial statements of Siemens AG have received an unqualified audit opinion from KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, and will be published in the German Federal Gazette and filed with the Commercial Registries of the Berlin-Charlottenburg and Munich District Courts. These financial statements can be obtained in German free of charge from Siemens AG, Infoservice UK/Z125, P.O. Box 2348, D-90713 Fürth, Germany.

** Based on new accounting principles

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Industry



Communications



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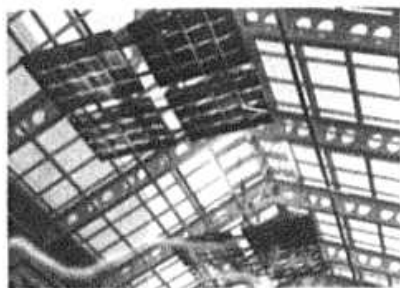
Transportation



Medicine



Components



Lighting

Report of the Supervisory Board

In overseeing the Company's management throughout fiscal 1993, we evaluated periodic written and oral reports from the Managing Board. Discussions at our four scheduled meetings focused on economic developments and structural changes in global markets and their impact on the Company's profitability and employment. We commend the Managing Board for defining the major challenges facing Siemens as well as adopting measures to strengthen the Company's international competitiveness.



Wittelsbacherplatz, Munich

Selected operating units again provided us with status reports during the year. Business slackened in the medical engineering sector as a result of discussions on health care reforms in Germany and the U.S. Solid progress was recorded by ROLM, a major U.S. subsidiary of our Private Communication Systems Group, following its reorganization. Despite the need for increased investment in the energy sector worldwide, the Power Generation Group's orders were tempered in some regions by financing difficulties, while political factors impeded its nuclear power plant business. The Transportation Systems Group reported a boom in the fiercely competitive markets for rail systems worldwide. Business in both the Electromechanical Components Division and the Automotive Systems Group received impulses from the growing use of electrical and electronic components in motor vehicles.



Siemensstadt in Berlin

The Managing Board also scrutinized the potential effects of the emerging single European market on the Company's sales and service organization. Reports by Siemens Nixdorf Informationssysteme AG (SNI) and the Semiconductors Group assured us that restructuring measures are in place and are being rigorously pursued. Although their losses narrowed, both units again cut into Company earnings as expected.

During the summer meeting at the Company's research center in Erlangen, presentations were made on more efficient energy transmission systems, new sensor devices for medical applications, and more environmentally acceptable techniques for manufacturing printed-circuit boards. These and other efforts underscore the Company's unwavering commitment to the future despite the challenging economic environment.

The Company's accounting procedures, the annual financial statements of Siemens AG and the consolidated financial statements as of September 30, 1993, as well as the Managing Board's combined general review of Siemens AG and Siemens worldwide consolidated, have been audited and approved without qualification by KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt on Main. We concur in the results

of the audit. We also examined the Company's records ourselves and our findings revealed no grounds for objection. In view of our approval, the financial statements are definitively confirmed.

We endorse the Managing Board's proposal that the net income available for distribution be used to pay a dividend of DM13 per share based on capital stock of DM2.8 billion. We also approve the proposal that the amount attributable to treasury stock be carried forward.

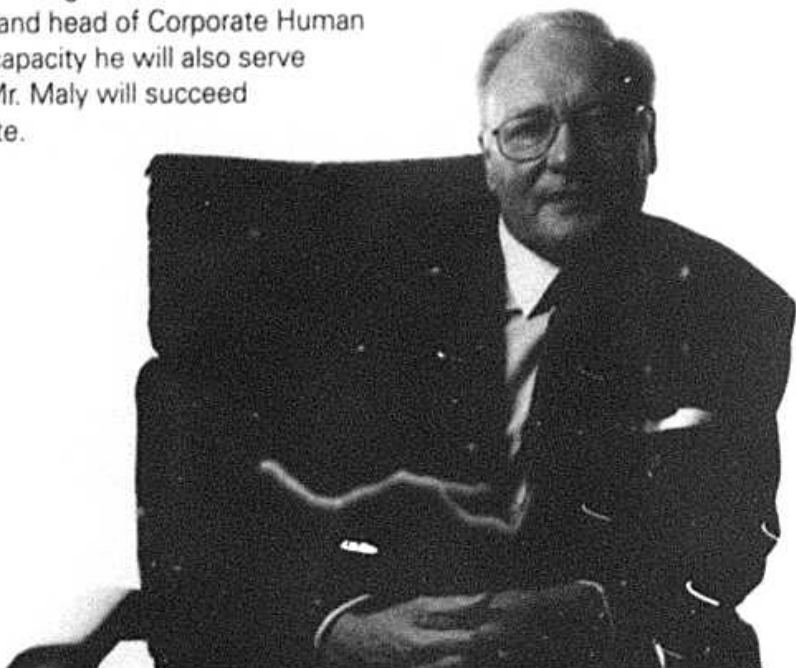
The shareholders' representatives on the Supervisory Board were elected for a term of five years at the Annual Shareholders' Meeting on March 11, 1993. Employee representatives were elected for the same term by the Company's employees on November 25, 1992. Rolf Diel, Prof. Dr. Herbert Grünwald, Dr. Maximilian Hackl, Prof. Dr. Reimar Lüst, Dr. Heribald Närger, Franz Rehm, Helmut Reithmeier, Alexander von Seidel and Prof. Dr. Dieter Spethmann stepped down from the Board, and we expressed our appreciation for their many years of dedicated service. Dr. Närger was honored for his distinguished service to the Company in various capacities, including his years as Chief Financial Officer and member of the Managing Board up to 1988, and as Chairman of the Supervisory Board thereafter.

Dr. Claus Kessler retired on September 30, 1993, completing a 40-year record of achievement and success throughout the Company. We thanked him for his dedication and service. He is succeeded as head of Corporate Production and Logistics by Prof. Dr. Walter Kunerth, a member of the Corporate Executive Committee since March 11, 1993. At our meeting on November 10, 1993, we appointed Werner Maly labor director and head of Corporate Human Resources, effective April 1, 1994. In this capacity he will also serve on the Corporate Executive Committee. Mr. Maly will succeed Dr. Gerhard Kühne, who retires on that date.

Berlin and Munich, January 12, 1994
For the Supervisory Board



Dr.-Ing. E. h. Hermann Franz
Chairman

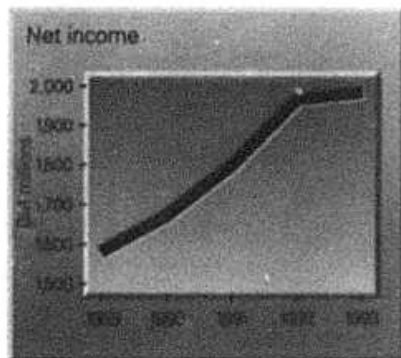
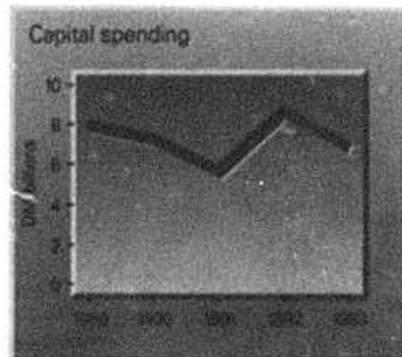


Letter to our shareholders

Dear shareholder:

Fiscal 1993 was a tough, yet challenging year. For the first time in seven years, Siemens was unable to sustain growth in new orders. As the economy of our European home market continued to falter, the vigorous growth achieved by Siemens in recent years slowed to a moderate pace. The global economy was still not strong enough to fully offset the effects of the recession that is plaguing Europe and especially Germany. The earnings of our operating groups were affected by the downturn in business and by restructuring measures. Yet despite these setbacks, we maintained last year's level of net income, helped in part by a further rise in sales and, most importantly, by higher earnings from financing activities in a favorable capital market. On the basis of this performance, we are recommending an unchanged dividend of DM13 per share at the Annual Shareholders' Meeting.

The current modest growth and varied performances by our operating units should not overshadow the achievements made in recent years. In the five-year period between 1987 and 1992, our business volume worldwide surged by more than 60%, and some 60,000



employees were added to the work force. In the same period, we spent around DM70 billion

on capital investments and on research and development, an average of more than DM14 billion a year. We paid out over DM3 billion in dividends to our shareholders.

Following this period of dynamic growth, we are now pursuing a comprehensive strategy to reinforce our competitiveness in a tough global marketplace. This entails slashing costs, streamlining processes, marshaling our world-class innovative strength and, at the same time, consolidating



New focal points for Siemens' business in Southeast Asia.

our position in traditional markets and increasing our penetration in emerging areas. As we adjust to the shifting economic landscape, the Company will have to further reduce its employment levels. Where such measures are needed, we will make every effort to act with social responsibility and sensitivity.

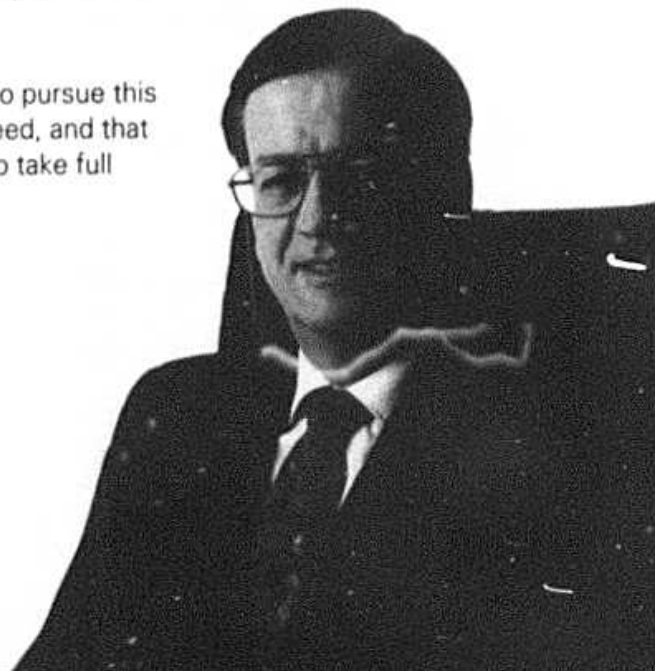
We now have extensive programs in place to restore profitability to our semiconductor and data systems businesses. Results are beginning to emerge. In addition, we continue to complement our spectrum of productivity enhancing measures throughout the Company. Moving forward, we will not lose sight of our top priority: getting new and market-oriented products and systems into the hands of our customers as rapidly as possible.

We are confident that we can anticipate and adapt to changing markets and prepare the Company for the future. Our people are highly motivated, dedicated to serving our customers, and working together to ensure our competitiveness. While revitalizing the Company from within, we also face regional restructuring in the global marketplace. Exciting new opportunities are arising, and we intend to make the most of them. In Europe, we have now established a firm foothold in the developing eastern countries. As we continue to consolidate our position in the crucial North American arena, we are steadily expanding activities in Southeast Asia — a dynamic market for our products as well as an attractive production location for our global business activities. These shifts in our center of gravity will in no way affect our full commitment to other regions throughout the world, such as the Indian subcontinent or South America.

We have the entrepreneurial strength and determination to pursue this truly global strategy. I believe we all have the will to succeed, and that Siemens will emerge from the recession ready and able to take full advantage of the revitalized business climate.



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

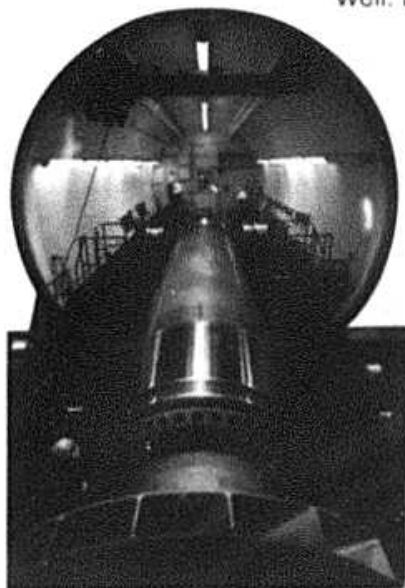


General review

As the economic environment deteriorated throughout much of the world during fiscal 1993, Germany slid into a severe recession, while growth in Western Europe and Japan ground to a halt. One of the few bright spots was the U.S., which continued its slow but perceptible recovery. As global business slumped during the past two years, real annual economic growth was only just over 1%. For the first time in years, the world electrical and electronics market declined slightly in 1992 and picked up only marginally this past year.

The German and Japanese electrical markets were particularly hard hit. As the boom generated by German reunification subsided, domestic demand for capital and consumer goods produced by the electrical engineering industry dropped a price-adjusted 4.5% in 1993. Other Western European markets were depressed and, despite enormous pent-up demand in Eastern Europe, the region showed no signs of an upswing. In contrast, stronger investment activity in the U.S. fueled demand for electrical and electronics products. Southeast Asia, at present an extraordinarily dynamic electrical market, boasted double-digit growth.

Europe is facing not only a recession, but serious structural problems as well. Developmental trends in microelectronics are reducing the value added by hardware production, often making software the crucial competitive factor. In addition, the emergence of Eastern Europe has made low-cost production locations available in our own backyard, creating a whole new market reality. Germany is finding it harder to compete — especially against traditional industrial rivals — not only as a source of production, but also as a supplier of engineering and software expertise.



Gas turbines, nuclear fuel elements and power plant services are a booming business at Siemens Power Corporation, headquartered in Milwaukee, Wisconsin, and Bellevue, Washington.

Development of electrical markets

	1992	1993
World	- 1%	+ 2%
Germany	- 1%	- 4.5%
Western Europe (excluding Germany)	+ 0.5%	+ 0%
US	+ 6%	+ 7%
Southeast Asia	+ 14%	+ 12%
Japan	- 11%	- 4.5%
Other regions	+ 1.5%	+ 6%
Estimated real growth in percent		

Resilient business

Despite the troubled world-wide economic climate, business at Siemens generally proved to be resilient, though varied by sector and region. Our global orientation provided strength and stability, and a higher volume of orders from other markets helped compensate for declining demand in Germany and throughout Western Europe.

For the first time in seven years, however, orders edged down 1% to DM84.1 billion. In contrast, sales rose 4% to DM81.6 billion on the strength of a substantial backlog.

Mixed results

In Germany, sales were slightly above the previous year's level at DM37.3 billion, while orders declined 6% to DM37.8 billion. In our international business, sales climbed 6% to DM44.3 billion, and orders increased 2% to DM46.3 billion. International business again accounted for 54% of total sales. Major projects worldwide supported this growth, while our standard industrial products business remained soft.

As in Germany, our activities in other Western European countries were depressed by the recession. The comparative weakness of major European currencies against

the German mark also adversely affected operations. Western Europe as a whole generated sales worth DM58.0 (1992: DM58.2) billion, over 70% of our world-wide total.

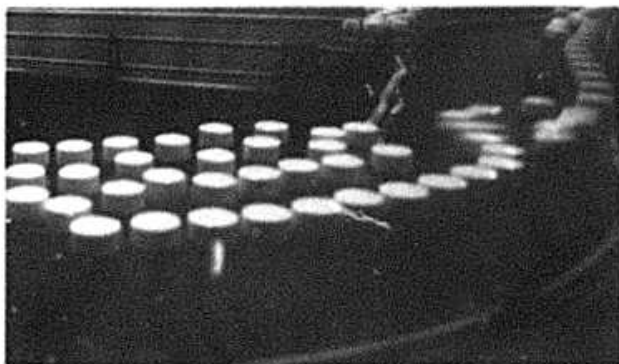
In Eastern Europe, we recorded DM1.2 billion each in sales and orders. As part of our strategy for developing this market, we operate 29 joint ventures with local companies. Since the process of transition to a market-driven economy is proving slow, however, we don't anticipate a substantial expansion of business over the near and medium term.

Growth in the Americas

Our U.S. operating companies achieved a solid 13% jump in sales to US\$5.6 billion. Strong demand in our infrastructure business, combined with the first full-year consolidation of ROLM, Santa Clara, California, accounted for most of this growth.

Reinforcing our leadership position in lighting, we completed the acquisition of Sylvania's North American lamp business from GTE Corporation, Stamford, Connecticut, in fiscal 1993. The new company, Osram Sylvania, Inc., Danvers, Massachusetts, has a business volume of over US\$1 billion and some 12,000 employees; it will be consolidated in fiscal 1994.

Business in South America, particularly Argentina and Brazil, also flourished, with orders and sales surpassing 1992 levels.



The Montreal plant of Kraft General Foods Canada, Inc., is one customer served by our thriving North American automation business.





- Sales
- Production

Expansion in Asia

In the dynamic electrical markets of East and South-east Asia we increased our volume of orders by nearly 50% to DM5.4 billion. This region now accounts for over 6% of our worldwide business, compared to 4% last year. We focused our activities on the People's Republic of China and the ASEAN countries, where we now have over 10,000 people employed locally in more than 30 sales companies, production facilities and joint ventures. In addition, we had a business volume of some DM2.7 billion in Japan, India, Pakistan and Australia.

To enhance our presence in this important market, operating units involved in infrastructure business leveraged major projects into 20 joint ventures, generally with local partners. Further alliances are planned, particularly in China.

While developments in Japan were affected by the depressed economic conditions, business on the Indian subcontinent continued to expand. We have now gained a solid foothold in that

region's telecommunications market, complementing our strong position in the energy sector.

Sectors: slack and solid

Performance within the Company varied by both sector and region. The increasing reluctance of European industrial customers to invest has left its mark on the Drives and Standard Products as well as Automation Groups.

The Private Communication Systems Group also felt the impact of the recession as business stagnated.

Following a high-growth phase, business slowed in some of the operating units involved in infrastructure projects. While our transportation and energy sectors showed further gains, the public communication networks sector could not sustain last year's high level of orders. The solid international performance of our Industrial and Building Systems Group largely countered weakened demand in Germany.

Structural problems in the industry as well as the broad recession again burdened our data systems business. A cool investment climate in the public health sector continued to affect our medical systems activities.

In contrast to these downturns, our components sector benefited from increased demand in important business segments. Despite the troubled situation in the European automobile industry, our Automotive Systems Group also recorded a slight increase in business.

Reductions in the work force

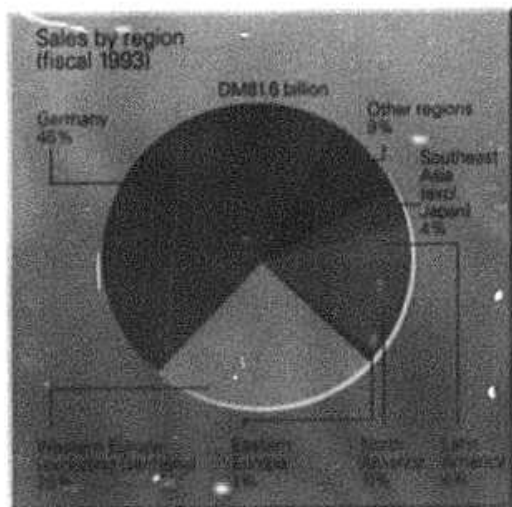
Siemens employed 391,000 people worldwide at year-end 1993, compared with 413,000 in 1992. Our German work force was downsized by 15,000 and our international staff by 7,000 through measures that affected all operating units except the Transportation Systems Group. Reductions were heaviest at SNI, where more than 5,000 jobs were eliminated.

Adjusted acquisition activity

Total capital spending declined to DM6.7 billion from DM8.6 billion in fiscal 1992. This decline was attributed primarily to reduced acquisitions, which dropped to DM1.9 billion from DM3.0 billion. Expenditures on property, plant and equipment were DM4.8 billion, down from DM5.6 billion.

Environmental ethics

In Germany, Siemens spent DM220 million last year on measures to conserve the environment, such as water purification and pollution control. An additional DM70 million was directly invested in new environmental technologies and processes for the future.



General review

Consistent with Siemens' commitment to environmental responsibility, we are pursuing a comprehensive, three-pronged strategy:

- Continually improve production processes to conserve resources and avoid waste;
- Design products that consume fewer resources such as energy and water, and can be optimally recycled;
- Apply expertise from all Siemens businesses to develop products and systems that can be used to help conserve the environment.

High level of R&D expenses

More than ever before, innovation is the lifeblood of the Company. Excluding government subsidies and R&D funded by customers, we invested a net total of DM7.7 (1992: DM7.6) billion in technology for tomorrow, representing 9% of our worldwide sales. Government support accounted for only 2% of our total research and development spending.

Our drive to remain an industry leader is underscored by more than 48,000 employees involved in R&D, 13,500 of whom are outside Germany.

Roughly 95% of our R&D activities are accounted for by the operating units, with efforts concentrating on products nearing commercialization. In addition to work in the hardware sector, we are turning increasingly to the design-to-cost development of customized software in close cooperation with our customers.

In contrast, corporate R&D focuses on basic research needed for potential interdisciplinary applications. We are working on many fronts, for example, to provide software solutions such as human-machine interfaces. Corporate R&D also concentrates on materials research and on components essential to the functioning of whole systems.

Net income sustained

In fiscal 1993, net income after taxes rose slightly to DM1.982 billion, compared with DM1.955 billion in 1992; in both years this represents a 10% return on equity. A slowdown in market-driven industrial business, combined with a slump in selling prices and the implementation of restructuring measures in nearly all operating groups, reduced pre-tax income to DM2.912 (1992: DM3.197) billion.

The Semiconductors Group and Siemens Nixdorf Informationssysteme AG (SNI) continued to temper earnings, although both units reduced their losses compared with the previous year's performance.

Corporate Finance increased its contribution to earnings as a result of higher securities gains, helped by favorable developments in German and international capital markets.

Solid balance sheet structure


Despite restrained business developments, total assets grew by DM4.3 billion. Funds to support this growth were fully generated internally.

Shareholders' equity and accrued liabilities were increased using cash from operations. Liquidity was boosted by DM2.1 billion.

Primarily the result of the acquisition of Sylvania's North American lamp business from GTE Corporation, Stamford, Connecticut, our intangibles, fixed assets and investments grew by DM1.1 billion. We reduced inventories by DM1.1 billion through liquidations.



The Synapse I computer, developed in our research labs, solves artificial intelligence problems 8,000 times faster than a conventional unit.



Receivables from customers increased slightly by DM0.3 billion, reflecting business developments. As a result of higher net cash from operations, marketable securities and other liquid assets increased to DM21.8 billion, or 29% of total assets.

We increased accrued liabilities for pension plans. Shareholders' equity rose as a result of allocating DM1.3 billion to reserves; it remains at 27% of total funds employed.

Unchanged DM13 dividend

At the Annual Shareholders' Meeting on March 10, 1994, we will propose that an unchanged dividend of DM13 be paid on each share with a par value of DM50 from the net income of DM728 million, based on the capital stock entitled to the dividend, and that the amount attributable to treasury stock be carried forward.

Looking ahead

At present, there are no indications of an overall sustained improvement in the economic environment. Structural problems cannot be solved overnight, and unremitting pressure to reduce costs and streamline operations will require further adjustments in our work force.

We assume that the operating groups involved in infrastructure activities will barely be able to exceed their current high levels. While business in standard industrial products should be stimulated by growing demand in the U.S., this sector is not likely to improve appreciably in Europe in the near term. Given these circumstances, we expect overall business to stagnate in the coming fiscal year.

To meet these enormous challenges, we must redouble efforts to cut losses even further in our troubled businesses, reduce costs significantly, and accelerate the development of innovative products and systems for our customers. In order to secure our global competitiveness in the decades to come, we are implementing a full spectrum of productivity enhancing measures throughout the Company and moving decisively to capture new markets.

The Siemens processor chip set for DECT-standard cordless phones contains six components and is our most complex system on silicon.





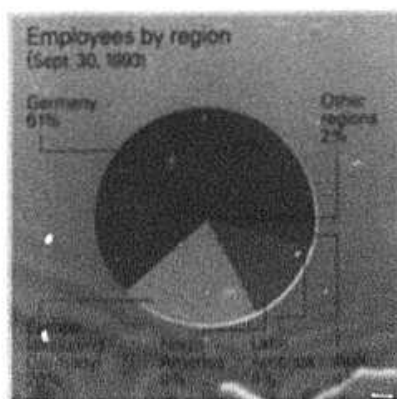
Employees

Our people are our most valuable asset: They spur innovation, ensure the quality of products, anticipate the market and serve customer needs. We have become fast, flexible and cost-effective. Within this entrepreneurial environment, our people take on a market-focused approach, from product concept right through to the final application. As a result, the bond of partnership between Siemens and its customers is stronger than ever before.

Siemens' success is based on the creativity, dedication and expertise of our people. The DM1.1 billion we invested this year in basic and in-service training emphasizes our commitment to our employees. Our investments in the future include industrial and commercial apprenticeships for over 15,000 young people worldwide as well as other forms of vocational training. In the U.S., Company youth and adult apprenticeship programs, which combine theoretical and practical training, have already been successfully introduced at three locations.

Ultimately, continuing education will allow our employees to take on new opportunities in diverse fields, to regard change as a welcome challenge, to cooperate across organizational boundaries, and to think and act with an international perspective. The 135,000 suggestions submitted worldwide by our employees over the year, which benefited the Company by an estimated DM140 million, are a clear demonstration of their commitment and initiative.

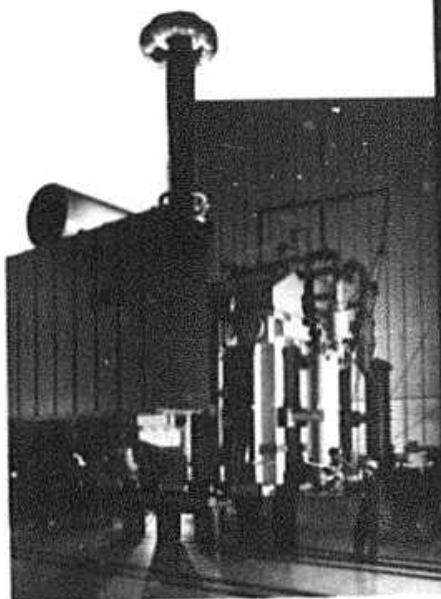
Because Siemens' success is based on breakthroughs in highly innovative fields, we continued to enhance our creative strength by hiring many engineers during the fiscal year. The weak global economy and the resulting need for restructuring, however, led to an overall reduction in our work force. This downsizing affected nearly all units of the Company, both in Germany and abroad. At the end of the fiscal year we employed 391,000 people worldwide, down from 413,000 in 1992.



Energy

An Argentinean power plant will deliver up to 825 megawatts into the 515-kV national power grid through three of these generator transformers.

One of the greatest challenges of our time is meeting the enormous energy needs of a rapidly growing world population while minimizing the environmental impact. With a sense of environmental responsibility, Siemens is continually striving to develop cleaner and more efficient energy technologies. Indeed, we are one of the few companies in the world that supplies virtually all products, systems and services needed to convert fossil fuels, nuclear energy and renewable energy sources into electricity. Once this power has been generated, our state-of-the-art technologies distribute it to consumers as efficiently as possible.



Siemens will continue to set industry standards in energy technology. Intent on reducing harmful emissions and fuel consumption by further improving power plant efficiency, we are developing combined-cycle power plants with integrated coal gasification, cooperating with French partners on a new pressurized water reactor for the European market, and intensifying activities in the field of photovoltaic solar cells. Designed to improve the dynamic control of power flow along transmission lines, our advanced series compensation systems (ASCs) are a major innovation in power network technology. Products like our oil-free transformers, which are almost totally recyclable, underscore the Company's strong commitment to conserve resources and ease the burden on the environment.

As a global company, we are positioning ourselves in energy markets throughout the world. Traditionally, Siemens' strength lies in its European home base. Through numerous joint ventures, we have also gained a firm foothold in the vast potential market of Eastern Europe. Pursuing our strategy to capture market share elsewhere, we have consolidated our position and expanded activities in the key regions of the U.S. and Southeast Asia by establishing our own companies, joint ventures and alliances with other companies.

Power Generation (KWU)

Sales DM8.7 billion +32%
New orders DM8.7 billion + 1%
Capital spending DM420 million -20%

Continuing vigorous international demand for fossil-fueled power plants and hydro-electric equipment again accounted for a high volume of orders. Sales surged during the year, boosted by the billing of numerous major projects.

We won several large contracts in eastern Germany, including a district heating plant in Dresden and a power plant in Brandenburg. In Russia, we were awarded a contract for a district heating plant in St. Petersburg, giving us a solid foothold in the country's combined-cycle power plant market. The gas turbines for this facility will be

supplied by Interturbo, our joint venture with Leningradskii Metalicheskii Zavod in St. Petersburg.


In Southeast Asia, we further expanded our market position by winning new contracts for power plants in China, Indonesia and Malaysia. In line with our ongoing policy of adding value to customers' industries, we continue to form new local production partnerships in China, such as Siemens Power Plant Automation Ltd., Nanjing, which manufactures power plant controls.

Roughly 30% of KWU's sales during the year were in nuclear technology. In addition to providing a wide range of services for nuclear power plants in Western Europe, we began upgrading nuclear facilities in Eastern Europe to enhance their safety. Moving to strengthen our international competitiveness, we merged the nuclear fuel processing activities of Siemens Power Corporation, Bellevue, Washington, and

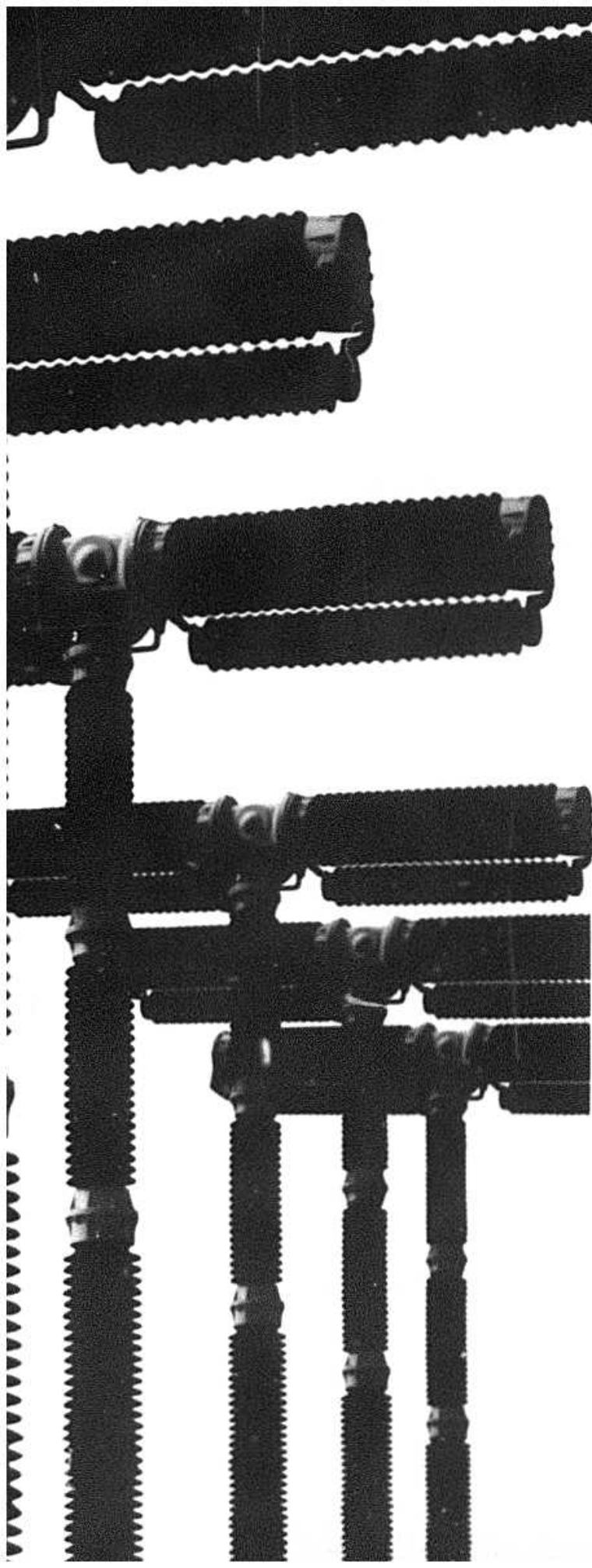
Siemens AG. On a less auspicious note, however, production of mixed-oxide fuel at our highly advanced manufacturing plant in Germany has been blocked for over two years for political reasons.

As part of the Company's effort to find markets for alternative power sources, Siemens Solar GmbH, Munich, our joint venture with Bayernwerk AG, and Siemens Solar Industries of Camarillo, California, are providing photovoltaic modules and systems to supply power to remote communities in developing countries.

Although we see many market opportunities ahead, KWU's competitive strength ultimately depends on further reducing costs. One necessary step in this direction was the decision to close our facility in Bergisch Gladbach, Germany.



Interturbo, a joint venture in St. Petersburg, Russia, is an example of our strategy to produce locally in key markets. The company has just completed assembly of its first Siemens gas turbine.



The world's first ASC installation, located near Kayenta, Arizona, allows substantially more power to be transmitted over the existing regional power grid.

Power Transmission and Distribution

Sales	DM6.0 billion	+ 7%
New orders	DM6.1 billion	± 0%
Capital spending	DM216 million	- 1%



A solid backlog of orders helped sustain satisfactory sales levels in fiscal 1993. Rising international demand, boosted by a flurry of activity in the burgeoning Southeast Asian market, compensated for a significant drop in domestic orders during the course of the year.

We billed two high-voltage, back-to-back links in Vienna and Etzenricht on the German-Czech border, and were awarded a major contract to build a similar system in Texas. Another notable project was the installation of a 230-kV gas-insulated switching station in Singapore.

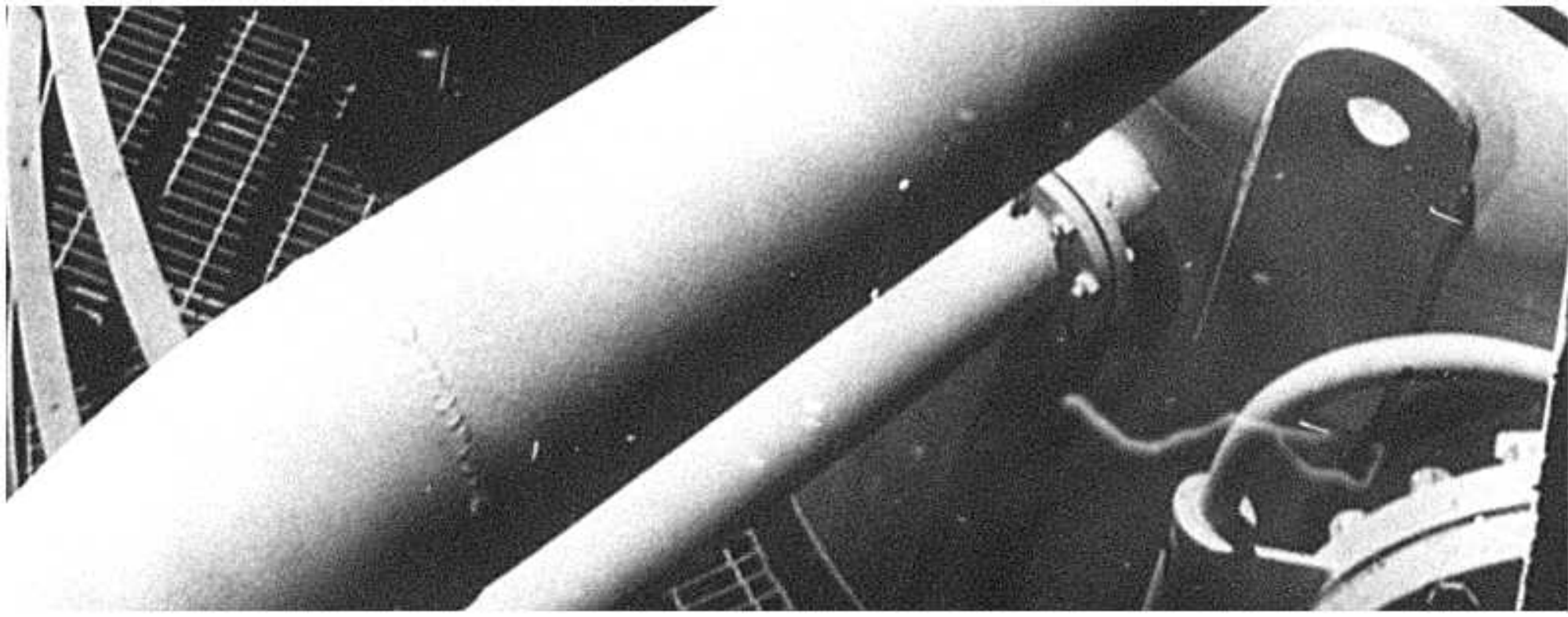
In China, we joined Shanghai Electrical Apparatus Corporation to form Siemens Switchgear Ltd., Shanghai, a move designed to enhance our regional market position in the low-voltage sector. In addition, we are supplying a 132/11-kV distribution system for the Yangpu industrial park project on the island of Hainan.

Our gas-insulated switching stations, featuring maintenance-free vacuum circuit breakers, have met with great success in international markets and accounted for a healthy increase in exports.

In Germany, we have begun production of state-of-the-art low-voltage switchgear in a new plant near Leipzig. These highly efficient systems can be used for a wide variety of applications.

Despite increasing price pressure, our domestic meter business surged. Following enormous growth in recent years, our worldwide business in the protection and substation control sector stabilized at a high level. And in North America, we strengthened our market position for power grid controls by acquiring Empros, Minneapolis, a leading supplier in this field, from its American parent, Cerdian.

Major orders for transformers from Brazil, Kuwait and Singapore could not compensate for plummeting demand in Germany. Our power cable business was similarly affected. Together with our Russian partner Kamkabel, we formed Geros-Kabel, Perm, to develop, manufacture and market rubber-sheathed industrial cables in Russia and other Eastern European countries.



Electronics —
precise and reliable,
even in the toughest
environments

Industry

Software is adding new dimensions of intelligence to the equipment and systems we develop for industrial plants, large buildings and applications such as traffic guidance systems. Electric drives and their controls play a key role in many production processes; they provide the 'brawn' that carries out the mechanical work, while their power electronics and control gear provide the 'brain' that can reduce the power consumption of electric motors and extend the range of applications. Systematically applied, these intelligent components can sharply reduce the cost of operating ring motors in ore mills, variable-speed drives for pumps, drives for machine tools and direct drives in cold rolling mills.

We offer a wide range of standard products and systems as well as tailor-made comprehensive solutions in virtually all branches of industrial production ranging from iron and steel, paper, autos, switchgear and control gear, to chemicals and brewing. These solutions are based on five key building blocks: programmable automation systems, analyzers, processors, sensors and actuators. These devices can exchange data either directly or via a communications bus to create an information network for an entire plant. Our low-voltage switchgear and building installation equipment have become smarter in recent years, and can now be linked to hierarchical networks such as universal building management systems.

Applications like this electrical system for an aluminum plant in Japan emphasize our leading position in the world market.



In modern industry, the logistics of product delivery is a crucial competitive factor. We invested DM70 million in a state-of-the-art distribution center in Amberg, Germany.

Logistics systems for warehousing and distribution round off our range of products for optimizing production processes, and complement our broad spectrum of electrical and electronic products and systems for industrial and building installation applications. At the same time, Siemens is the world's largest company in the field of electrical engineering services, providing everything from project planning, assembly and commissioning to maintenance and training

In Eastern Europe, "I-Centers" opened their doors for business in Prague in the Czech Republic (photo), Slovakia, Hungary, and Poland



Industrial and Building Systems

Sales	DM8.9 billion	+ 3%
New orders	DM9.0 billion	- 3%
Capital spending	DM231 million	- 15%

International sales rose sharply following the billing of various large-scale projects, primarily in the iron and steel industry. Although the recession in Germany led to a steep downturn in business from large local customers, this was partially offset by an increase in the number of small and medium-sized contracts.

Export business did well, boosted by contracts to supply electrical equipment to

iron and steel manufacturers in Russia, Ukraine, Austria, India, Thailand, South Korea, the U.S. and South Africa. New orders were also received from the mining industry and for several diesel power plants in China.

Our security and building systems unit is well positioned in the market; its growth was boosted by orders from the new German states and abroad. In Southeast Asia, we were chosen to supply the electrical equipment and airfield lighting systems for the new Macao airport. Another highlight was a contract for the modernization of 28 civil airports in Indonesia.

We expanded our position in road traffic technology, are helping to make highways safer with traffic guidance systems, and have developed a state-of-the-art solution for automatically recording toll fees. In urban areas, our traffic control systems can be used to improve coordination of public and private transportation.

The world market for industrial services is expanding rapidly. We are the leading single-source supplier in industrial assembly, engineering, commissioning, field maintenance, and workshop services. With outstanding expertise in these areas, we have extended our market position as more and more companies come to us for technical services. In Erlangen, Germany, we recently commissioned one of the largest electrotechnical test centers in the world, where we thoroughly test and optimize all types of equipment before delivery.

The current fiscal year should again see softened demand in Germany, contrasted by a strong upward trend in international business. Overall, we expect to achieve a slight increase in business volume.

Drives and Standard Products

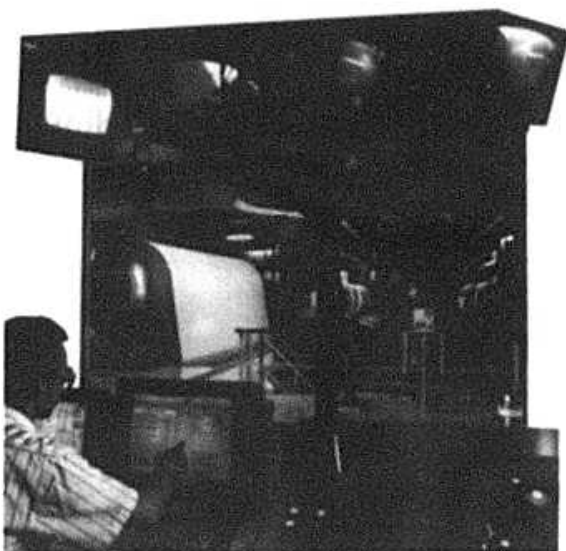
Sales	DM6.5 billion	- 2%
New orders	DM6.8 billion	+ 1%
Capital spending	DM300 million	- 5%

Reduced capital spending in many industries and a drop in demand in the construction sector impacted our business in Germany and Western Europe. Our drive systems and low-voltage controls were hit hard by the recession in the machine-tool industry, a major customer for these products. These setbacks, however, were partially offset by comparatively strong demand in North and South America.

To strengthen and streamline our operations, we have created new units in the drive engineering sector and have consolidated our development, production and sales functions. Productivity enhancing programs and a new shipping and logistics center in Amberg, Germany, will speed production and delivery processes for low-voltage control equipment and systems.

We are maintaining our technology leadership by adding communication capabilities to switchgear systems. On another front, a new generation of power converters, made in Congleton, England, has proven a success on the market.

Business in electrical installations continued to benefit from German housing construction. The EIB Instabus building management system is setting new standards in Europe and has recently been introduced in the U.S.



In Germany, our single-source automation and drives technology ensures top quality paper at Haindl's plant in Schwedt an der Oder.



In contrast, the Lighting Systems Division felt the effects of slackened demand in industrial and public construction. This was partially offset by increased infrastructural investment in the new German states. Heightened awareness of the need to use electrical energy more efficiently should further benefit our electronic control gear business.

Business in the "I-Centers," the Group's installation wholesale organization, has stabilized at a high level; growth is strongest in eastern Germany. We intend to increase our customer base with an expanded range of services, new and innovative products, and a stronger presence in Eastern Europe.

Automation

Sales	DM5.4 billion	- 8%
New orders	DM5.6 billion	+ 18%
Capital spending	DM180 million	- 17%

A decline in business during the year prompted industrial customers to cut back production and reduce capital investment, resulting in a downturn in orders for automation products and systems. Excluding the billion-mark contract received from Deutsche Bundespost in fiscal 1992, however, our year-to-year orders remained nevertheless virtually unchanged. Business was boosted by a number of projects in the industrial and service sectors, above all for logistics equipment.

Demand in the Western European and German machine-tool sectors continued to decline, and spending on capital goods in the automotive industry also dropped in the U.S.; however, Siemens Industrial Automation, Inc., Atlanta, Georgia, took advantage of the economic upswing to improve its market position. We are also continuing to strengthen our commitment in Southeast Asia and China by increasing local content.

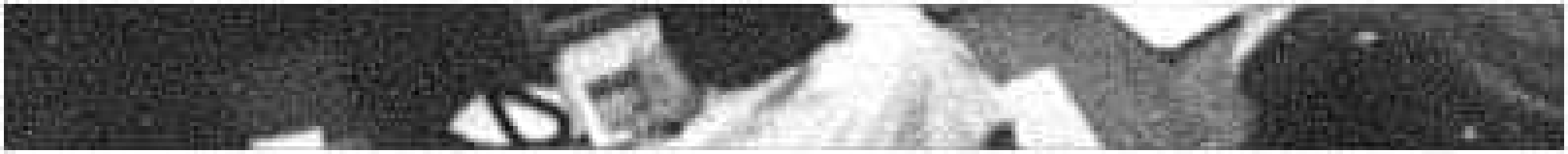
Progress in microelectronics technology has made further product developments and improvements possible. In the field of machine-tool automation, for example, we are introducing a new modular control and drive system. This innovative product will help strengthen the competitive position of the European machine-tool industry.

An extensive productivity program is underway to further reduce costs. As part of this program, we have opened a new logistics center in Nuremberg, Germany, to handle the Simatic line of automation products. By simplifying and streamlining order processing, the facility speeds shipments to customers around the world.

We expect a gradual improvement in the business climate to spur customer investment, and a boost in sales from the billing of major projects. Moreover, new product lines should further stimulate business growth.



Our newly developed pressure transducer — shown here during final testing — is a key component in many automated chemical plants.



Today's stock exchange transactions — fast and reliable thanks to modern communication technology

Communications

Mobile phones are growing in popularity around the world. We are building a plant in China to produce our new S1 handset for the Asian market.



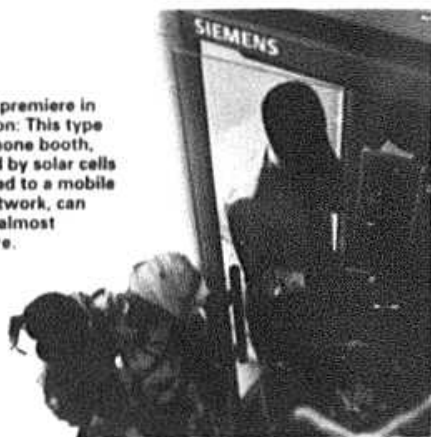
From the simplest telephone to the most complex traffic management, satellite and remote sensing technologies, telecommunication systems have become the glue that holds modern society together. At Siemens, we foresee that, as transmission, information processing, and archiving systems continue to improve, telecommunication systems will become a decisive competitive factor.

We develop, build and market state-of-the-art systems and equipment for virtually all forms of communication. Our products include systems for voice, data, image, text and sound communications, using either stationary or mobile terminals, transmitting over cable, by radio, or in public or private networks. To date, our two most successful products — EWSD telephone switching systems and Hicom communication systems — have sold nearly 100 million line units. At present mobile communications is the fastest growing industry sector, with the market expanding more than 10% annually.

Siemens supplies communications technology to over 110 countries. While Western Europe and North America have always been our most important markets, Southeast Asia, where we anticipate double-digit growth in the coming years, continues to grow in strategic importance. Our presence in the region goes back to the 1980's, when we set up branch offices and began forming joint ventures. China has already become one of the world's largest markets for EWSD and Hicom. At the same time, we also have established a strong presence in Eastern Europe — a region which holds long-term promise.

Through collaborative R&D efforts around the world, we are spurring new developments in telecommunications. We are also working closely with leading computer manufacturers in the search for new cross-industry solutions. And despite the present weakness in the telecommunications market, we are optimistic about the future. The convergence of information and communication technologies, advances in flexible, intelligent and mobile networks, and improvements in communications security are paving the way for our development of completely new applications.

A world premiere in Cameroon: This type of telephone booth, powered by solar cells and linked to a mobile radio network, can operate almost anywhere.



Information

Information technology, as with telecommunications, is assuming an increasingly crucial role in today's society. In the future, it will be the catalyst creating the true 'global village': a society with almost instant access to information that will affect all walks of life.

Information technology plays a major role in Siemens' systems business. The IT industry, however, is not only facing a difficult economic environment, but undergoing profound structural changes fed by the extreme pace of technological development and the high degree of saturation in the DP market.

Technological advances have brought remarkable progress in computing performance. For instance, open architectures now enable machines from different manufacturers to be integrated into seamless networks. Software is rapidly becoming the critically competitive factor in the industry, while hardware prices, which have already plunged dramatically, continue to drop.

Thirty years ago, less than 2% of all computations in industrialized economies were computer-aided; today this figure is about 80%. Computers have become commodity items, bringing to a close the initial phase of rapid growth in the IT industry, and leaving it increasingly exposed to cyclical economic fluctuations — a situation first made clear by the current global recession.

Our collaboration with Fujitsu in the mainframe sector has been expanded. A further medium-term objective is the joint development and production of computers using CMOS technology.

We have concluded two noteworthy cooperation agreements in our point-of-sale systems sector. In South America, Unisys is marketing our Beetle POS systems together with the requisite Calypso software. We have also agreed to supply, on an OEM basis, one of the world's largest producers of POS terminals with major components of our Beetle system.

SNI has recently introduced the world's fastest printer, the new 2240 Electronic Printing System for continuous paper, which has an output of 340 pages per minute.

Market prices continued to be driven down by relentless competition, leading to an almost DM1 billion drop in sales revenue. In response, we had to downsize the workforce and implement additional measures to streamline operations.

On September 30, 1993, SNI employed some 43,300 people, down from 49,400 a year earlier.



From production to recycling, our Green PC is environmentally friendly. And thanks to special circuits, it is extremely energy efficient.

SNI worldwide reduced its net loss from DM513 million in fiscal 1992 to DM419 million in 1993. Since SNI AG has been conducting its operational business for the account of Siemens AG as of fiscal 1993, this loss is not reflected in SNI AG's financial statements.

Siemens Nixdorf Informationssysteme AG

Sales: DM11.9 billion - 8%
New orders: DM12.0 billion - 6%
Capital spending: DM460 million - 35%

In a move to reflect market segmentation, SNI restructured its organization in 1993 to create nine business units and four system units.

We have maintained our market position with innovative products and solutions. As a result, the Personal Computers Business Unit had a 40% rise in unit shipments, and we have set new standards for performance and environmental friendliness with our Pentium* based PC and Green PC. We are the European leaders in Unix** multi-user systems, and expect that the introduction of 14 new Unix servers in the RM family, which have received excellent ratings, will strengthen our position in this market sector.

* Pentium is a registered trademark of Intel Corp.

** Unix is a registered trademark of AT&T Computer Laboratories, Inc.

Transportation

Transportation Systems

Sales DM3.6 billion +32%
New orders DM5.2 billion +25%
Capital spending DM204 million +55%

When considering new traffic concepts, transportation experts around the world are increasingly turning to rail systems as efficient and environmentally sound solutions. This revived interest has benefited our Transportation Systems Group, which once again recorded double-digit growth.

Our strategy of concentrating resources and acquiring equity in other rail technology companies has made us one of the world's leading suppliers of complete rail



transportation systems. We have combined our equity interests in a number of rolling-stock companies into Siemens Schienenfahrzeug-Gruppe GmbH & Co. KG, a majority-owned holding company formed for this purpose. SFG's primary aim is to coordinate the development, manufacturing and sales activities of its affiliates, thereby extending our competitive position.

As a global supplier of vehicles and trackside facilities, we are represented in all of

At 310 km/h, the Eurosprinter holds the world speed record for 3-phase locomotives. Several European rail operators are evaluating this high-performance universal locomotive.

train radio equipment for the Australian rail system, and to extend the mass transit networks in Singapore and China. Burlington Northern, the U.S. rail freight carrier, ordered 350 diesel-electric locomotives, which we are supplying in collaboration with General Motors. Our business in Germany also received a major boost with a letter of intent from Deutsche Bundesbahn to purchase 60 new ICE trains.

the world's major rail markets. In the burgeoning Southeast Asian market, business volume has already reached DM1.5 billion, while North America generated DM0.5 billion in business.

We were awarded contracts to supply signaling and control equipment for the Stockholm subway system, to provide

Research and development efforts are concentrated primarily on improving the efficiency of rail systems. Smart electronics can optimize the use of existing railroad routes and make their operation easier and more convenient for users.



Automotive Systems

Sales DM2.6 billion + 2%
New orders DM2.6 billion + 2%
Capital spending DM199 million - 17%

Despite weak business conditions in the automobile industry, particularly in Europe, we experienced a slight improvement in new orders and sales. The slowdown in Germany was partially offset by higher demand elsewhere, especially in North America.

Electronic and electrical equipment is the fastest growing sector in the automotive components industry. Our newly developed products for active and passive safety, such as airbags and ABS systems, are featured in a growing number of mid-range automobile models. This development increased unit shipments, which helped offset rapidly falling prices. Year-to-year unit sales of ABS electronics, for example, more than doubled.

Our capital spending focused on adding to existing production facilities and bolstering productivity. Investment projects included more cost-effective production lines in the Czech Republic and Slovakia, in particular for electrical distribution systems, electric motors, as well as heating and air-conditioning equipment. By producing at diversified sites such as Spain and Mexico, we are closer to our customers and can optimize our logistics.

Our electronic systems minimize the environmental impact of automobiles and reduce operating costs, while lowering stress, improving comfort, and enhancing safety.

Ready-to-install modules such as our integrated air-fuel system are increasingly popular in the auto industry.



Current product development focuses on improving safety, fuel economy and environmental protection, and includes optimizing engine management systems and drives for electric cars. Our electronic anti-theft systems and immobilizers offer effective protection against theft. As we further reduce the lead times from product concept

to serial production, and as increasing numbers of vehicle manufacturers incorporate our products, we are optimistic that business will continue to grow.

Components

Smaller than kernels of corn, these surface-mounted inductors weigh only a fraction of a gram. Without them, it would not be possible to make small, lightweight mobile telephones



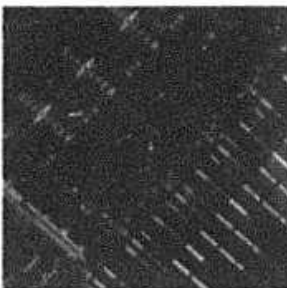
Components are the feedstock of electronic systems; tomorrow's systems will only be as good as today's devices. Semiconductor, passive and electromechanical components are therefore crucial to the functioning, efficiency, safety and competitiveness of systems and equipment. Working hand in hand with our customers, we strengthen their competitive advantage by developing and producing the standard products

and customized components they need. Through component miniaturization, for example, we can meet specifications for more efficient devices in a wide variety of industries, including telecommunications, data processing, consumer and automotive electronics. Advances in processing technologies have made it possible for entire systems to be integrated on a single chip. Our pioneering products require a mastery of these technologies, combined with expertise in systems applications. Recognizing the increasing importance of the Southeast Asian and North American regions for the future of our global components business, we are involved in collaborative efforts in development, manufacturing, and sales.

Semiconductors

Sales DM21 billion +14%
New orders DM26 billion +33%
Capital spending DM522 million +11%

A sharp revival in the semiconductor market boosted sales and orders, helping us reduce our losses in this crucial sector. Major savings were achieved by consolidating integrated circuit production at Villach in Austria, Regensburg in Germany, and Essonne in France. To meet rising demand, we have expanded the capacity of our assembly plants in Singapore and Malaysia.



Fuzzy components make it possible to provide effective, economic solutions for complex control processes in all application areas

We also benefited from a further improvement in our market position for application-oriented components used in telecommunications. Our smartcard ICs are opening up a new and promising business sector, and we have secured a strong position in the European market for optoelectronic semiconductors.

Siemens is the sole European manufacturer of 16-megabit RAMs, which we began shipping this year. Our customers also received the first operational specimens of the 64-megabit chips which we developed jointly with IBM.

The favorable economic environment for semiconductors is expected to continue in the current year and, together with additional savings, should lead to a further improvement in our results.

Passive Components and Electron Tubes

Sales DM15 billion +1%
New orders DM16 billion +5%
Capital spending DM102 million -12%

International business, especially in Southeast Asia and the U.S., stimulated growth. Successful product innovations have been introduced in fields such as surface acoustic wave (SAW) devices and microwave ceramics, which are in vigorous demand in the telecommunications industry. Our electronic starters for new energy-saving lamps with high luminosity are being used by the leading lamp manufacturers. In addition, improved materials helped us to strengthen our position in the market for permanent magnetic systems for disk storage units.

Electromechanical Components

Sales DM10 billion +20%
New orders DM10 billion +21%
Capital spending DM119 million +37%

Division growth was generated primarily by our business with the automotive industry. Through development partnerships with leading customers and an expansion of our manufacturing capacity, we have secured an especially strong position in the world market for automotive relays. The component business for the telecommunications industry also reported above-average growth rates. To meet the rising demand for our products, we acquired a plant in Speyer, Germany, from the Public Communication Networks Group.



Bosch-Siemens Hausgeräte GmbH

To meet the growing needs of consumers, Bosch-Siemens Hausgeräte GmbH (BSHG) markets a full range of high-quality household products from washing machines and vacuum cleaners to entertainment electronics. All have been designed for user convenience and greater environmental compatibility.

Founded more than 25 years ago as a joint venture between Bosch and Siemens, BSHG is now Europe's second largest company in the industry, with production facilities in Germany, Spain, Greece and Slovenia. Without sacrificing quality or convenience, the company is also making great strides in further reducing the environmental impact of its products. BSHG has, for example, completely eliminated chlorofluorocarbons (CFCs) from all refrigerators and freezers manufactured in Germany, Greece and Spain. These and other efforts have resulted in environmentally sound production processes, steady reductions in energy and resource consumption during product usage, and greater recyclability.

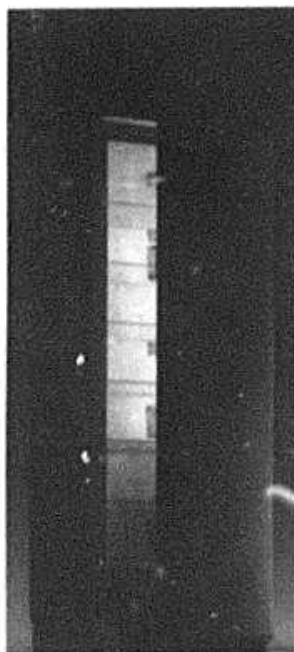
Bosch-Siemens Hausgeräte GmbH (BSHG)*

Sales DM70 billion • 1%
New orders DM70 billion • 1%
Capital spending DM366 million • 14%

BSHG's previously strong expansion slackened in the fiscal year ended December 31, 1992. An above-average 10% growth rate in Germany compensated for depressed international sales. The company almost succeeded in matching prior-year earnings despite steadily rising costs. After transferring DM70.6 (1991: DM76.8) million to BSHG's consolidated retained earnings, a profit of DM80.2 (1991: DM86.4) million was distributed. At the close of 1992, BSHG employed 22,700 people worldwide, down from 24,000 a year earlier.

Although audited figures are not yet available for fiscal 1993, the continuing deterioration of international business indicates there will be a slight decline in sales and net income. Rigorous cost management and fundamental restructuring measures are being implemented to ensure profitability.

BSHG is continuing to establish sales companies and make international acquisitions to expand its market presence outside Germany. In March 1993, for instance, the company acquired the Small Appliance Division of Gorenje MGA, Nazarje, Slovenia.

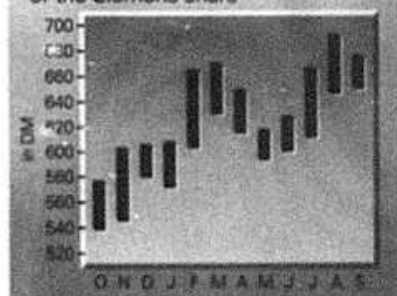


Siemens' first CFC- and FC-free refrigerator is super-efficient, consuming only 0.35 kWh a day to cool a capacity of 364 liters.

* BSHG is not included in the Siemens worldwide consolidated financial statements.

Share performance

Fiscal 1993 highs and lows of the Siemens share



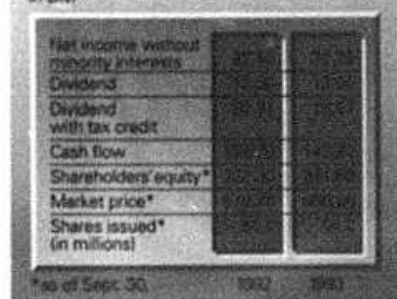
Siemens as an investment

The generally optimistic mood of the stock market during the year also benefited Siemens shares. At the close of fiscal 1993 the share price was quoted at DM666.60, up 16.8% from September 30, 1992.

Shareholder survey

A comprehensive survey of our shareholder structure on August 1, 1993, confirmed the growing popularity of our stock. The number of shareholders increased roughly 5% since the last survey in 1990, reaching a new high of 607,000. Since our first survey in 1970, the number has more than doubled, making Siemens stock one of the most widely held in Germany.

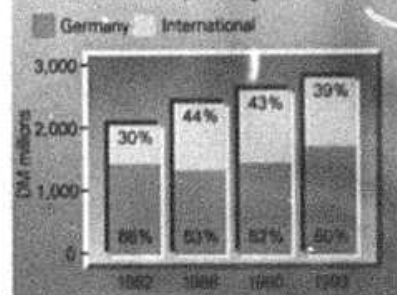
Per-share data in DM



In the three years between the surveys, the number of private investors increased by 48,000 to 581,000, representing approximately 46% of our capital stock.

The proportion of capital stock held by institutional investors, such as investment funds, insurance companies and banks, increased by 5% to 40% in the latest survey.

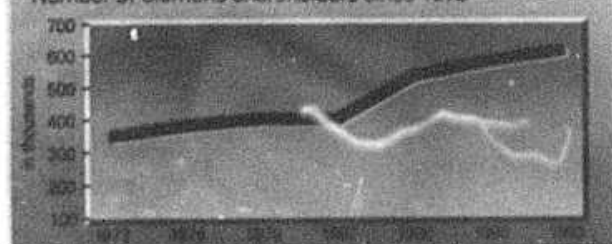
Capital stock excl. undetermined percentage



Siemens' popularity as an investment continues to grow, particularly in Germany. The survey revealed that the proportion of capital stock held by German shareholders has increased to 60%, primarily due to purchases by German investment funds.

Non-German shareholders held 39% of the Company's capital stock, a decline of 4%. As in the past, the majority of foreign shareholders are European residents: 87% of our foreign shareholders in Europe hold 29% of the total capital stock. Nine percent of our shares is held in the United Kingdom and 8% in Switzerland; U.S. shareholders own 4% of Siemens' capital stock.

Number of Siemens shareholders since 1973



Supervisory Board

Hermann Franz, Dr.-Ing. E.h.*
Munich
Chairman

Alfons Graf
Munich
Deputy Chairman
(as of November 11, 1992)
Master Toolmaker

Wolfgang Schieren, Dr. jur.
Munich
Deputy Chairman
Chairman of the Supervisory Board,
Allianz Aktiengesellschaft Holding,
Munich

Alfred Bock
Erlangen
Technician

Ulrich Cartellieri, Dr. jur.
Frankfurt on Main
Member of the
Board of Management,
Deutsche Bank AG,
Frankfurt on Main

Roger Fauroux*
Paris
Honorary President,
Saint Gobain S.A., Paris

Birgit Grube*
Munich
Office Clerk

Heinz Hawreluk
Frankfurt on Main
Head of the Ship Stewards
Department on the
Executive Committee, IG Metall

Ralf Heckmann
Munich
Telecommunications Installer

Detlef Kreyenberg
Munich
Dipl.-Ing.

Heinz Kriwet, Dr. rer. pol.*
Düsseldorf
Chairman of the Management Board,
Thyssen AG, Düsseldorf

Georg Nassauer*
Berlin
Steel Casting Constructor

Werner Neugebauer
Munich
Regional Manager for Munich,
IG Metall

Karl-Heinz Nolden
Mülheim
(as of November 11, 1992)
Machine Tool Fitter

Wolfgang Rölller, Dr. rer. pol.*
Frankfurt on Main
Spokesman of the
Board of Managing Directors,
Dresdner Bank AG
(until May 14, 1993)
Chairman of the Supervisory Board,
Dresdner Bank AG, Frankfurt on Main

Albrecht Schmidt, Dr. jur.*
Munich
Spokesman of the
Board of Management,
Bayernische Vereinsbank AG, Munich

Nikolaus Senn, Dr. iur.
Zürich
Chairman of the
Board of Administration,
Union Bank of Switzerland, Zürich

Peter von Siemens*
Munich

Hermann J. Strenger*
Leverkusen
Chairman of the Supervisory Board,
Bayer AG, Leverkusen

Horst Wagner
Berlin
Regional Manager for
Berlin-Brandenburg,
IG Metall

Left the Board
as of November 11, 1992

Rudolf Mooshammer
Munich
Deputy Chairman
Mechanic

Left the Board
as of March 11, 1993

Heribald Närgler, Dr. jur.
Munich
Chairman

Rolf Diel
Düsseldorf
Chairman of the Supervisory Board,
Dresdner Bank AG, Düsseldorf
(until May 14, 1993)

**Herbert Grünwald,
Prof. Dr. rer. nat.**
Leverkusen
Honorary Chairman of the
Supervisory Board,
Bayer AG, Leverkusen

Maximilian Hackl, Dr. jur.
Munich
Chairman of the Supervisory Board,
Bayernische Vereinsbank AG, Munich

Reimar Lust, Prof. Dr. rer. nat.
Bonn
President of the Alexander von
Humboldt Foundation,
Bonn-Bad Godesberg

Franz Rehm
Munich
Precision Mechanic

Helmut Reithmeier
Munich
Electrical Technician

Alexander von Seidel
Düsseldorf

Dieter Spethmann, Prof. Dr. jur.
Düsseldorf
Attorney at Law

The Company

Managing Board

Heinrich v. Pierer, Dr. jur.
President and
Chief Executive Officer

Planning and Development
Special responsibilities: Research and
Development, Liaison Office,
Corporate Communications,
Economics, Advertising and Design,
Austria and Japan

Karl-Hermann Baumann,
Dr. rer. oec.

Finance
Special responsibilities:
France, United Kingdom, Ireland
and the Netherlands

Hans Baur, Dr.-Ing.

Special responsibilities:
Public Communication Networks,
Semiconductors, SNI

Volker Jung, Dr. Eng. h.c.

Special responsibilities:
Private Communication Systems,
Defense Electronics, International
Regions,
Belgium, Greece, Italy, Luxembourg,
Portugal, Republic of South Africa,
Spain and Switzerland

Gerhard Kuhne, Dr. jur.

Human Resources
Special responsibilities: Services,
Australia, India and Pakistan

Walter Kunerth, Prof. Dr.-Ing.

Production and Logistics
Special responsibilities:
Drives and Standard Products,
Automotive Systems, Passive
Components and Electron Tubes,
Electromechanical Components,
Denmark, Finland, Norway, Sweden
and Turkey

Horst Langer, Dr.-Ing.

Special responsibilities:
Industrial and Building Systems,
Medical Engineering, Transportation
Systems, Osram,
Canada, Mexico and the U.S.

Gunter Wilhelm

Special responsibilities:
Power Generation (KWU),
Power Transmission and Distribution,
Automation, Audio and Video
Systems,
Argentina, Brazil, Colombia and
Venezuela

Hans Günter Danielmeyer,
Prof. Dr. rer. nat.
Research and Development

Erwin Hardt, Dr. oec. publ.
Public Communication Networks

Adolf Hüttl
Power Generation (KWU)

Eberhard Kill
Industrial and Building Systems

Jürgen Knorr
Semiconductors

Werner Maly
Medical Engineering

Carl-Heiner Thomas
Drives and Standard Products

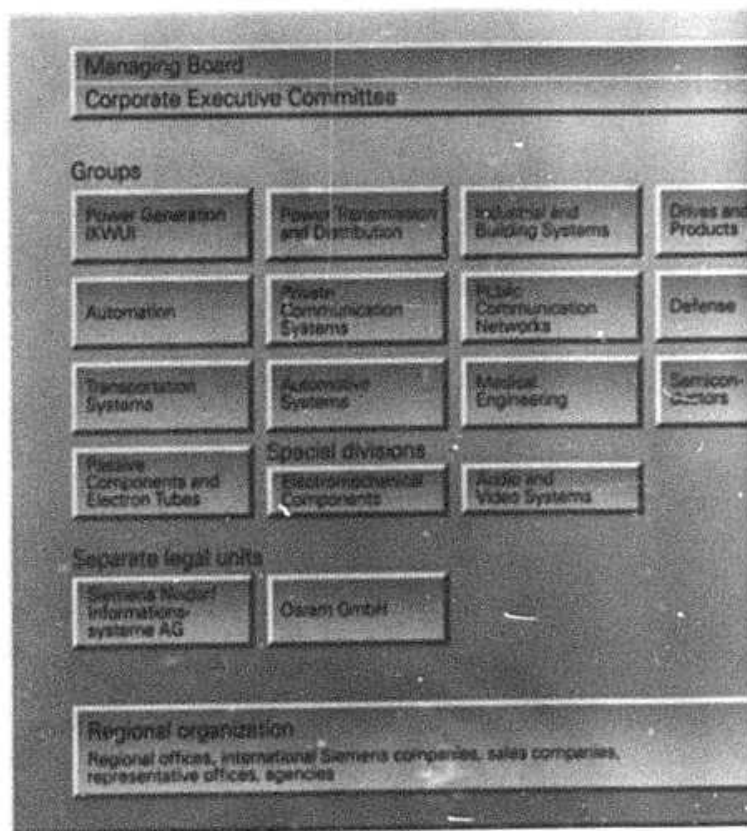
Until March 11, 1993

Hermann Franz, Dr.-Ing. E. h.
Special responsibilities:
Drives and Standard Products,
Medical Engineering, Automotive
Systems, SNI, Osram,
Denmark, Finland, Norway,
Sweden and Turkey

Peter von Siemens
Centralized Services Berlin

Until September 30, 1993

Claus Kessler, Dr.-Ing.
Production and Logistics
Special responsibilities:
Passive Components and Electron
Tubes, Electromechanical
Components, Audio and Video
Systems



Groups*

Power Generation (KWU)

Adolf Hüttl
Hans Böhm
Andreas Kley

Power Transmission and Distribution

Horst Brase
Bruno Müller, Prof. Dr.-Ing.
Herbert H. Steffen

Industrial and Building Systems

Eberhard Kill
Heinz Georg Salge
Hans-Wolfgang Scheler

Drives and Standard Products

Carl-Heiner Thomas
Hans M. Strehle
Folker W. Tannenberg, Dr.-Ing.

Automation

Manfred v. Raven
Günther Fritsch
Karl-Heinz Samann, Dr.-Ing.

Private Communication Systems

Peter Pribilla
Dietrich Botsch, Dr.-Ing.
Jost Hammerschmidt,
Dr. rer. pol.
Werner Schmücking

Public Communication Networks

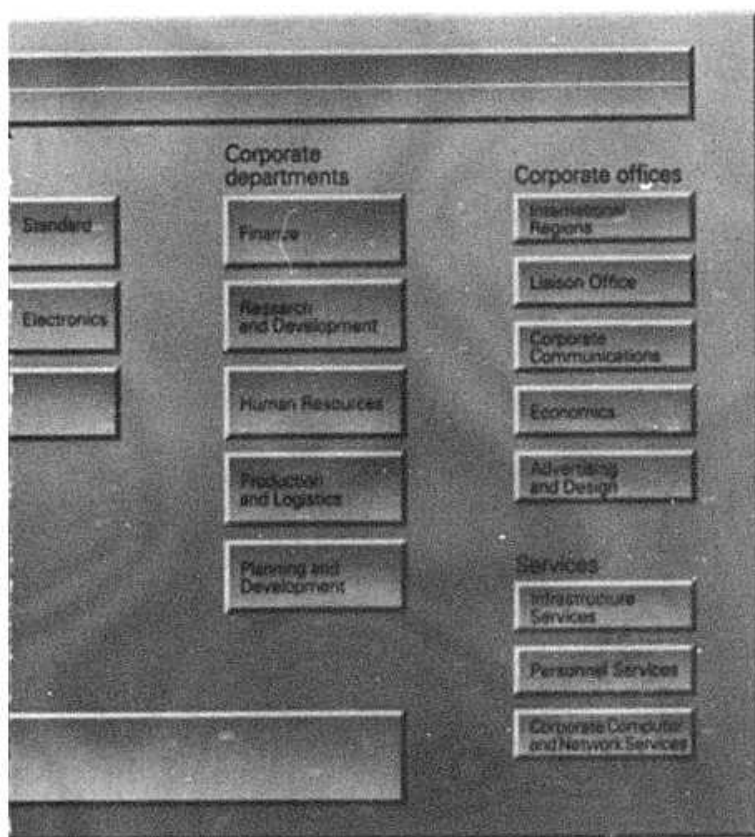
Erwin Hardt, Dr. oec. publ.
Helmut von Deimling
Hubert Suckfüll
Gerhard Wiest

Defense Electronics

Helmuth Wiesner
Benno Franzreb

Transportation Systems

Wolfram O. Martensen
Siegfried Franke
Gerhard Wahl



Automotive Systems

Franz Wressnigg, Dr.-Ing.
Jens Banaschek, Dr.-Ing.
Jürgen Mache

Medical Engineering

Werner Maly
Peter Grassmann, Dr.-Ing.
Jürgen Radomski
Ench Reinhardt, Prof. Dr.-Ing.

Semiconductors

Jürgen Knorr
Horst Fischer, Dr. rer. nat.
Volkhart P. Matthäus

Passive Components and Electron Tubes

Klaus Ziegler

Electromechanical Components**

Manfred Kasserra, Dr. rer. pol.
Helmut Brauneis

Audio and Video Systems**

Anton Wais, Dr. jur.
Manfred Dönz
Rudolf Wenisch

Siemens Nixdorf Informationssysteme AG***

Hans-Dieter Wiedig, Dr. rer. oec.
Günter Goth
Robert Felix Hoogstraten
Horst Nasko, Dr.-Ing.
Alfred Nowosad
Hartwig Rogge, Dr.-Ing. E. h.

Osram***

Wolf-Dieter Bopst, Dr. oec. publ.
Heinz-Peter Mohr
Jörg Schaefer, Dr.-Ing.

Corporate departments*

Finance

Karl-Hermann Baumann, Dr. rer. oec.
Gerhard Kluth, Dr. rer. pol.
Jochen Mackenrodt, Dr. jur.
Albrecht Schäfer, Dr. jur.
Thomas Seeberg, Dr. rer. pol.

Research and Development

Hans Günter Danielmeyer, Prof. Dr. rer. nat.
Reinhard Ernst
Heinz Schwärtzel, Prof. Dr. techn.
Claus Weyrich, Prof. Dr. phil.

Human Resources

Gerhard Kuhne, Dr. jur.
Anton Michl
Walter Schusser, Dr. rer. pol.

Production and Logistics

Walter Kunerth, Prof. Dr.-Ing.
Bruno Freund
Ernst Wilhelm Müller

Planning and Development

Heinrich v. Pierer, Dr. jur.
Hansjörg Franzius, Dr.-Ing.
Michael Mirow, Dr. rer. pol.
Peter Niehaus
Ulrich Ziemann, Dr. rer. pol.

Corporate offices

International Regions

Volker Jung, Dr. Eng. h. c.

Liaison Office

Joachim Putzmann

Corporate Communications

Eberhard Posner, Dr. rer. oec.

Economics

Bernd Stecher, Dr. sc. pol.

Advertising and Design

Jochen Detig, Dr. rer. com.

Services

Infrastructure Services

Dieter Briese

Personnel Services

Karl Meister, Dr. rer. pol.

Corporate Computer and Network Services

Horst Morgenbrod, Dr. techn.

As of January 1, 1994

- * The first named is Group President or corporate department head
- ** Special divisions
- *** Separate legal units

Consolidated financial statements

Effective fiscal 1993, the Company implemented several method changes for the consolidated financial statements

The major effects of these changes are presented in the following comments

The changes in the number of consolidated companies did not have a material impact on the presentation of Siemens' overall position

Uneven earnings trends

Net sales in fiscal 1993 increased DM3.1 billion, or 4%, to DM81.6 billion. This growth was supported by billings from the substantial order backlog of major projects and systems business. In contrast, price declines and foreign exchange rate fluctuations resulted in substantially reduced sales. The impact of exchange rates on translated net sales, particularly the comparative weakness of major European currencies against the German mark, was to reduce sales by 7%.

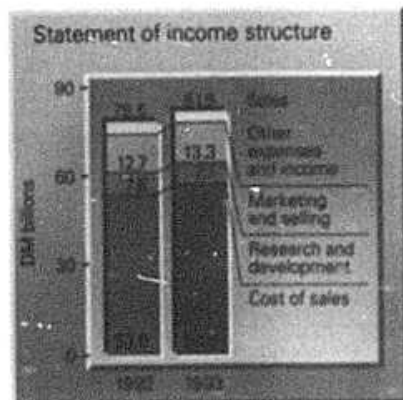
Most notable of the method changes is the adoption of the cost of sales method for statement of income presentation. Cost of sales, at DM56.9 billion, grew slightly faster than sales, compared to the prior year. The increases in personnel costs and high restructuring charges could not be compensated by cost reductions and streamlining measures. Gross profit on sales, at DM24.7 billion, declined to just over 30% of sales, down 1% from a year earlier.

Research and development expenses of DM7.7 billion include the cost of own R&D activities, accounting for an unchanged 9% of sales. Marketing and selling expenses increased to DM13.3 billion as a result of higher costs and restructuring charges.

Due to improved earnings of associated companies, Siemens achieved a better net income from equity investments in fiscal 1993 than in 1992. Interest income of DM2.7 billion continued to be considerably higher than interest expense of DM0.8 billion. As a result of declining interest rates on the capital markets, interest income remained almost flat despite increased liquidity. In addition, net interest income was reduced by the expense of DM0.9 billion for the interest cost component included in the allocation to the accruals for pension plans, which is covered by interest income from liquid assets. Overall, net interest income, at DM1.0 billion, was roughly equal to the comparable year-earlier

figure. Other financial gains were DM0.7 billion, up DM0.8 billion from the prior year's loss of DM0.1 billion, due to higher gains in marketable securities resulting primarily from rising market prices during the year.

Income before income taxes was DM2.9 (1992: DM3.2) billion. Earnings were adversely affected by a slow-down in market-driven industrial business, a slump in selling prices, and charges relating to restructuring measures; these factors could not be compensated by the increased financial results. The decrease in earnings did not affect net income, because the decline in income tax expense was above average due to the management relationship with Siemens Nixdorf Informationssysteme AG (SNI AG), Paderborn, and lower tax rates under the German Location Protection Act. After income taxes, net income totaled DM1,982 million, up slightly from the prior year's DM1,955 million. While the 1992 figure was impacted by a loss of DM116 million resulting from the translation of the foreign subsidiaries' financial statements, there was no such charge in fiscal 1993, due to the adoption of the year-end current rate method which fully neutralizes the effects of foreign currency translation on earnings. The return on shareholders' equity, at 10%, remained unchanged.



Cash flow and liquidity

Cash flow reached DM8.1 (1992: DM7.4) billion, representing 10.0% (1992: 9.4%) of net sales.

Working capital was reduced due to inventory liquidations. Including the higher cash flow, net cash provided by operations increased to DM9.1 (1992: DM8.7) billion.

Due to a decline in capital spending from the prior year's high level, particularly with regard to acquisitions, net cash used by investing activities decreased to DM5.6 (1992: DM7.6) billion. Contrary to fiscal 1992, the cash flow exceeded these outflows by a substantial amount.

Under financing activities, cash outflows amounted to DM1.3 billion, DM0.7 billion of which was accounted for by dividends paid for the prior year. In the period under review, the Company did not make use of the capital markets, while in fiscal 1992 capital contributions amounted to DM2.5 billion, primarily from option rights in connection with bonds issued by Siemens companies.

Overall, liquidity grew by DM2.1 billion to DM21.8 billion.

Well-balanced assets and capital structure

Due to the adoption of the year-end current rate method of translating foreign currency accounts, both the prior year's total intangibles, fixed assets and investments as well as shareholders' equity were reduced by DM1.1 billion each. As a result, the change had only a minor impact on the Company's overall assets and capital structure.

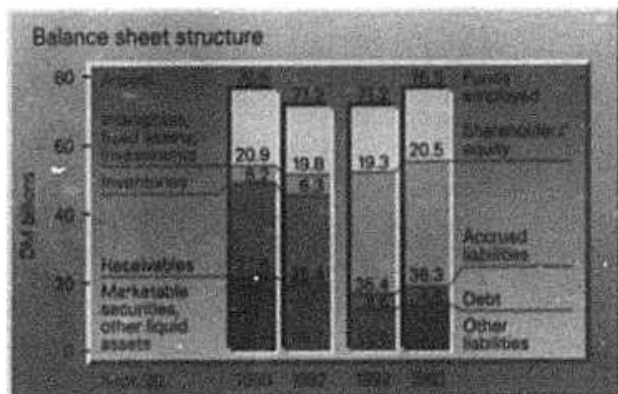
The Company's total assets grew to DM75.5 billion, a DM4.3 billion increase over the comparable prior year's figure.

Growth in intangibles, fixed assets and investments was primarily generated by the acquisition of Sylvania's North American lamp business from GTE Corporation, Stamford, Connecticut. As in the prior year, total intangibles, fixed assets and investments of DM20.9 billion account for 28% of the balance sheet total, ninety-eight percent of these assets are covered by

shareholders' equity. Inventory quantities were reduced primarily because of slow growth in business volume in the product business and large billings in systems business. The relative increase in customer receivables was lower than the increase in sales.

Liquid assets of DM21.8 billion are invested in fixed-income securities and notes of top-grade issuers, and increasingly in shares of investment funds as well. DM7.0 billion of the DM8.4 (1992: DM4.0) billion invested in fund shares are accounted for by specialized funds managed by Siemens Kapitalanlagegesellschaft mbH.

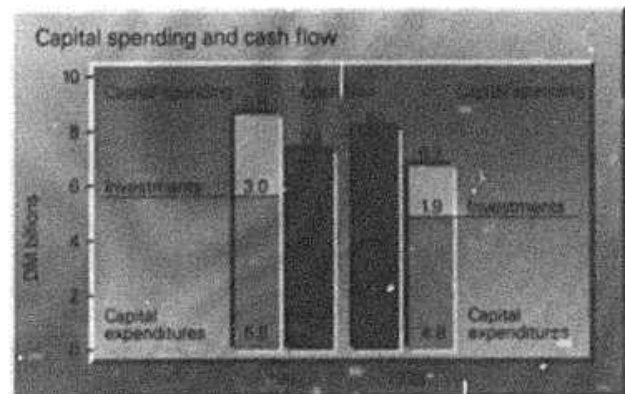
The assets of these funds are invested in fixed-income securities (82%), stocks (13%) and time deposits (5%). The market value of these fund shares at the balance sheet date was approximately DM759 million above their book value. Two-thirds of the liquid investments are denominated in German marks.



Shareholders' equity rose by a total of DM1.2 billion to DM20.5 billion, primarily as a result of transfers from net income. It continued to account for an unchanged 27% of total funds employed. Due to the deduction of the goodwill resulting from initial consolidations accumulated up to September 30, 1992, shareholders' equity was reduced by DM7.8 billion. During the fiscal year, a small amount of the goodwill from initial consolidations has been capitalized and amortized to income.

The proportion of accrued liabilities relative to total funds employed declined to 48% (1992: 50%). Exceptional contributions were made to the accruals for pension plans in Germany to support the increase in retirement benefits. In addition to direct commitments to employees covered by accruals for pension plans, pension commitments of DM3.8 billion exist with independent retirement benefit corporations or pension funds. The commitments are fully covered by these organizations' assets.

Debt increased by DM0.1 billion to DM4.6 billion, representing only 23% (1992: 24%) of shareholders' equity. Just under one-half of total debt, most of which is incurred outside Germany as a hedge against currency exchange risks, is denominated in U.S. dollars. Roughly 50% of total debt is due after one year.



Consolidated financial statements

Siemens worldwide consolidated balance sheet

as of September 30, 1993
(in millions of DM)

Assets	Note	9/30/93	10/1/92
Intangibles, fixed assets and investments			
Intangible assets	(6)	277	410
Property, plant and equipment	(6)		
At cost		45,774	44,237
Less accumulated depreciation		(28,855)	(27,320)
		16,919	16,917
Investments	(7)	3,726	2,506
		20,922	19,833
Current assets			
Inventories	(8)	25,087	26,275
Less advances received from customers		(19,859)	(19,993)
		5,228	6,282
Receivables and miscellaneous assets	(9)		
Accounts receivable — trade		14,713	14,459
Other receivables and miscellaneous assets		12,740	10,905
		27,453	25,364
Marketable securities and notes	(10)	18,233	16,600
Other liquid assets		3,580	3,077
		54,494	51,323
Prepaid expenses		66	43
Total assets			
Shareholders' equity and liabilities			
Shareholders' equity			
Capital stock of Siemens AG	(11)		
Common stock (total number of votes 55,050,425)		2,753	2,752
Preferred stock (total number of votes 923,634)		46	46
		2,799	2,798
Additional paid-in capital	(11)	8,605	8,590
Retained earnings	(12)	7,953	7,035
Unappropriated consolidated net income		728	727
Minority interests	(13)	1,407	1,246
Translation adjustment		(966)	(1,116)
		20,526	19,280
Accrued liabilities			
Pension plans and similar commitments	(14)	16,012	14,761
Other accrued liabilities		20,322	20,680
		36,334	35,441
Debt			
	(15)	4,645	4,531
Other liabilities			
	(15)		
Accounts payable — trade		5,964	4,854
Additional liabilities		2,521	6,875
		13,488	11,529
Deferred income		489	418
Total shareholders' equity and liabilities			

Consolidated financial statements

Siemens worldwide consolidated statement of income

for the fiscal years ended September 30
(in millions of DM)

	Note	1993	1992
Net sales	(16)	81,648	78,509
Cost of sales		(56,949)	(53,894)
Gross profit on sales		24,699	24,615
Research and development expenses	(17)	(7,698)	(7,554)
Marketing and selling expenses		(13,342)	(12,733)
General administration expenses		(2,528)	(2,535)
Other operating income	(18)	2,382	2,333
Other operating expenses	(19)	(2,456)	(1,903)
Net income from investment in other companies	(20)	122	56
Net interest income	(21)	1,019	1,027
Other financial gains (losses)	(22)	714	(109)
Income before income taxes		2,912	3,197
Income taxes	(23)	(930)	(1,242)
Net income		1,982	1,955

Appropriation of net income	1993	1992
Net income	1,982	1,955
Minority interests in net income of consolidated subsidiaries	(218)	(203)
Minority interests in net loss of consolidated subsidiaries	39	43
Balance brought forward from prior year	7	6
Transfers to retained earnings	(1,082)	(1,074)
Unappropriated consolidated net income (dividends of Siemens AG)	728	727

Consolidated financial statements

Siemens worldwide consolidated statement of cash flows

for the fiscal years ended September 30
(in millions of DM)

	1993	1992
Net income	1,982	1,955
Depreciation, amortization and write-downs	4,605	4,735
Increase in accrued liabilities	1,673	647
Other	(121)	82
Cash flow	8,139	7,419
Change in inventories	1,149	(1,832)
Change in advances received from customers	(53)	3,647
Increase in receivables	(1,571)	(1,860)
Increase in liabilities	1,439	1,280
Decrease in working capital	964	1,235
Net cash provided by operating activities	9,103	8,654
Additions to property, plant and equipment	(4,793)	(5,560)
Payments for acquisition of investments	(1,881)	(3,014)
Proceeds from sales of intangibles, fixed assets and investments	1,039	983
Net cash used by investing activities	(5,635)	(7,591)
Dividends paid	(720)	(686)
Increase in paid in capital	16	2,505
Change in debt	(141)	320
Other	(487)	(2,091)
Net cash provided (used) by financing activities	(1,332)	48
Change in liquid assets	2,136	1,111
included therein: Marketable securities and notes	1,633	1,512
Other liquid assets	503	(401)
Liquid assets at September 30	21,813	19,777

Consolidated financial statements

Notes

(1) Change in accounting principles

In the consolidated financial statements for the 1993 fiscal year, the Company changed several methods in order to adjust its accounting principles to internationally recognized standards. For the statement of income, the presentation has been changed to the cost of sales method of accounting as opposed to the total cost (type of expenditure) method that had previously been used. The Company's foreign subsidiaries' financial statements are now translated into German marks using the year-end current rate method. Goodwill resulting from the initial consolidation of subsidiaries and associated companies is no longer offset against retained earnings, but is capitalized and amortized to income. The statement of cash flows has been structured into funds provided by operating activities, funds used by investing activities, and funds provided or used by financing activities. In addition, the definition of "cash flow" as part of the operating activities has been extended primarily to include the change in short-term accrued liabilities.

The prior year's statement of income has been restated to conform to the adoption of the cost of sales method. The net income for fiscal 1992 remained unchanged.

Cost of sales includes the acquisition and production costs of goods, services and merchandise sold; billed job order costs relating to systems business; allowances on inventory; and warranty expenses. Research and development expenses include all expenses relating to research and development activities, unless funded by third parties, as well as licenses and royalty expenses. Marketing and selling expenses include personnel and other expenses of the sales departments as well as shipping and advertising costs. Cost of sales, research and development expenses, and marketing and selling expenses include expenses incurred by the related administration departments. The general administration expenses include personnel and other expenses of centralized and corporate functions of Siemens AG and its consolidated companies.

Net interest income also comprises the expense for the interest cost component included within the increase to the pension and related benefit accruals, which is covered by interest income from liquid assets.

In addition to write-downs on investments, marketable securities and notes, other financial gains (losses) primarily include gains and losses on the sale of these items.

When translating the Company's foreign subsidiaries' financial statements under the year-end current rate method, intangibles, fixed assets and investments are no longer translated at historical rates prevailing in the year of acquisition or production, but rather — like the other assets and liabilities — at the year-end current rate (the average of the buying and selling rates). Revenues and expenses included in the statement of income as well as the net income are translated at the average rate of exchange for the year. The cumulative currency gains or losses resulting from the translation of shareholders' equity are recorded as a separate component of shareholders' equity. Intangibles, fixed assets and investments of the Company's subsidiaries in the highly inflationary economies of Argentina and Brazil are now valued in the same way as the other assets and liabilities, namely at their current value or replacement cost and translated at the year-end current rate. The difference between this amount and the lower acquisition or production cost in local currency is, as a rule, largely neutralized by translation at the prevailing year-end current rate.

The reconciliation of intangibles, fixed assets, investments, and shareholders' equity reported in the prior year's consolidated balance sheet to the prior year's balances translated under the year-end current rate method is shown in the following table:

(in millions of DM)	9/30/92	Reconciliation	10/1/92
Intangible assets	435	(25)	410
Property, plant and equipment			
At cost	46,762	(2,525)	44,237
Accumulated depreciation	(28,960)	1,640	(27,320)
Investments	2,657	(151)	2,506
Total intangible assets, property, plant and investments	20,894	(1,051)	19,843
Paid-in capital	11,388	-	11,388
Retained earnings	6,991	44	7,035
Unappropriated consolidated net income	727	-	727
Minority interests	1,235	11	1,246
Translation adjustment	-	(1,116)	(1,116)
Total shareholders' equity	20,341	(1,062)	19,279

If the year-end current rate method had been used in the prior year, net income for fiscal 1992 would have been DM116 million higher.

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Notes

As of fiscal 1993, the goodwill resulting from the initial consolidation of subsidiaries and associated companies is classified as intangible assets or interests in associated companies and amortized over a maximum of 15 years. The goodwill resulting from consolidations accumulated up to September 30, 1992, was offset against retained earnings and has not been capitalized retroactively. Due to insignificant initial consolidations, the impact of the method change on net income for fiscal 1993 was not material.

(2) Acquisition of subsidiaries

During the fiscal year, the Company acquired Sylvania's lamp business in the U.S. and Canada from GTE Corporation, Stamford, Connecticut, and merged it with the former Osram companies in the U.S. and Canada. The new company, which now operates under the name of Osram Sylvania, Inc., Danvers, Massachusetts, will be included in the consolidated financial statements as of fiscal 1994.

A total of 11 subsidiaries in Germany and 20 subsidiaries in other countries were consolidated for the first time, while 16 German companies and 22 companies outside Germany are no longer included in the consolidated financial statements.

The changes in the number of consolidated companies did not have a material effect on the presentation of Siemens' overall position.

(3) Principles of consolidation

The worldwide consolidated financial statements include virtually all the domestic (German) and foreign subsidiaries. In addition to Siemens AG, 62 (1992: 67) subsidiaries in Germany and 222 (1992: 224) subsidiaries in foreign countries have been consolidated. 325 (1992: 320) companies that are either inactive or have a low business volume are not included in the consolidated financial statements, because they have little or no significance for the presentation of Siemens' overall position. Their sales account for less than 3% of consolidated sales. Osram Sylvania, Inc., Danvers, Massachusetts, and five other subsidiaries have not been consolidated, because the data required for their consolidation were not available on time due to the briefness of their affiliation with the Siemens organization. In addition, we have omitted retirement benefit corporations, whose assets are assigned for a specific purpose, as well as those companies whose shares were acquired exclusively for investment purposes.

Investments in 32 (1992: 36) associated companies and in two (1992: two) subsidiaries have been accounted for under the

equity method. An additional 126 (1992: 137) other associated companies were not accounted for in this manner because of their relative immateriality.

The principal subsidiaries and associated companies are listed on pages 58 and 59, including their sales, shareholders' equity and earnings. A complete list of the Siemens organization's holdings is being filed with the Commercial Registries of the Berlin-Charlottenburg and Munich District Courts.

In consolidating our investment in subsidiaries, we offset the purchase price against the value of Siemens' interests in the shareholders' equity of the consolidated subsidiaries at the time of their acquisition or initial consolidation. Any resulting goodwill is capitalized as intangible assets and amortized.

The same principles are applied in consolidating companies under the equity method, with any resulting goodwill being included in the acquisition cost of our interests in associated companies. Our share in the net income of the companies, accounted for under this method, including the goodwill amortization, is shown in the statement of income under net income from investment in other companies.

In the consolidated financial statements, we eliminate inter-company profits as well as sales, expenses and income within the Siemens organization, and all receivables and liabilities between consolidated companies.

Since the intercompany profits of the companies accounted for under the equity method are insignificant, they are not eliminated. Interim statements are used for consolidated subsidiaries whose fiscal year differs from that of Siemens AG.

(4) Foreign currency translation

In the individual financial statements, we translate receivables and liabilities in foreign currency at the rate existing at the transaction date or at the respective lower or higher rate at the balance sheet date. When foreign currency receivables and liabilities of our subsidiaries outside Germany have been hedged by forward exchange transactions, they are valued at the corresponding hedging rate.

Accruals are established to cover impending losses from hedging operations.

The principles applied in translating the Company's foreign subsidiaries' financial statements for inclusion in the consolidated financial statements are explained in Note 1.

(5) Principles of accounting and valuation

The financial statements of Siemens AG and its domestic and foreign subsidiaries are prepared according to uniform principles of accounting and valuation. The tax-deductible valuation adjustments and special reserves included in the individual financial statements of the domestic companies have been reversed in the consolidated financial statements. The special reserves pursuant to § 17 of the German DM Opening Balance Sheet Act (DMBilG) shown in the financial statements of Siemens AG and in the financial statements of one company in the new German federal states have been offset against special loss accounts and allocated to the retained earnings of the worldwide consolidated financial statements. Valuations in the statements of companies accounted for under the equity method that deviate from these uniform principles have not been adjusted on the basis of immateriality.

Insofar as intangible assets have been acquired for consideration, they are carried at acquisition cost and are amortized up to a maximum of five years. Any goodwill amounts capitalized as intangible assets are amortized over periods not exceeding 15 years.

Property, plant and equipment is recorded at acquisition or production cost, less scheduled depreciation. Depreciation is taken on residential, office and factory buildings for a maximum of 50 years, on technical equipment and machinery for a maximum of ten years, and on other equipment and plant and office equipment, in general, over five years. Equipment leased to customers is depreciated over periods not exceeding five years. In the Federal Republic of Germany, we use the declining balance method for the depreciation of property, plant and equipment to the extent possible under the tax laws, at the maximum allowable rates, switching to the straight-line method as soon as the latter results in higher depreciation. Additional depreciation is taken where a write-down in book value is deemed necessary. Minor fixed assets are fully expensed in the year of acquisition.

Significant investments in associated companies are accounted for using the equity method, thereby reflecting our proportionate interest in their net worth. Interests in non-consolidated subsidiaries and other associated and related companies are valued at the lower of cost or fair value. Loans made as investments and bearing nominal or no interest are stated at their discounted cash value.

Materials, supplies, merchandise for resale, and advances to suppliers are carried in inventories at the lower of cost or market. Work in process and finished products are stated at production cost. Production cost includes materials, direct labor and production overhead which must be capitalized in accordance with the provisions of the German tax laws. The cost of unbilled contracts is valued according to the same principles. We use the LIFO method for certain inventories. Purchases from consolidated companies are stated in inventory according to the uniform capitalization policy required by the German Commercial Code. A reasonable and sufficient allowance is made for declines in value due to slow-moving items, technical obsolescence and reductions in fair value.

Receivables and miscellaneous assets are carried at the lower of cost or market. Receivables due after one year which bear nominal or no interest have been discounted.

Marketable securities and notes are stated at the lower of cost or market. In Germany, lower valuations are retained if permissible under the tax laws.

Accrued liabilities include reasonable and sufficient allowance for all perceivable risks. In Germany, the accruals for pension plans are set up according to actuarial principles, using the method of computation provided for in the German Income Tax Act. Foreign subsidiaries establish accruals for pension plans, as required, according to comparable actuarial principles.

Deferred taxes are recorded following the liability method. These taxes are based on the temporary differences existing between the amount of assets and liabilities of the consolidated companies for financial reporting purposes and such amounts for tax purposes, as well as the temporary differences resulting from consolidation entries. Deferred tax assets and liabilities derived from temporary differences in the earnings of the consolidated companies are netted, with any resulting credit balance being recorded as an accrual for deferred taxes. A net deferred tax asset balance will be recorded in miscellaneous assets only if it is derived from consolidation entries.

Certain items on the consolidated balance sheet and in the consolidated statement of income have been combined. These items are shown separately in the Notes to consolidated financial statements (Notes).

The consolidated financial statements are denominated in millions of German marks (DM).

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Notes

(6) Intangible assets and property, plant and equipment

(in millions of DM)	10/1/92	Trans- lation- adjust- ment	Addi- tions	Reclassi- fications	Retire- ments	9/30/93	Accu- mulated- deprecia- tion/amor- tization	Net value as of 9/30/93	Net value as of 10/1/92	Deprecia- tion/amor- tization during the fiscal year
Intangible assets	874	32	97	-	342	661	384	277	410	246
Property, plant and equipment										
Land, equivalent rights to real property, and buildings, including buildings on land not owned	12,753	68	859	461	619	13,522	5,247	8,275	7,958	533
Technical equipment and machinery	11,893	71	856	461	671	12,610	9,245	3,365	3,085	1,078
Other equipment, plant and office equipment	15,128	11	1,964	382	1,701	15,784	12,377	3,407	3,408	2,198
Equipment leased to customers	2,862	(1)	543	12	657	2,759	1,965	794	878	518
Advances to suppliers and construction in progress	1,601	(14)	879	(1,316)	51	1,099	21	1,078	1,588	9
	44,237	135	5,101	-	3,699	45,774	28,855	16,919	16,917	4,336
	48,111	137	5,108	-	3,697	45,435	29,238	17,188	17,527	4,582

The translation adjustment column shows the adjustments of accumulated acquisition or production cost to the prevailing year-end current rate for the consolidated companies outside Germany.

The additions to intangible assets include goodwill in the amount of DM44 million resulting from the initial consolidation of subsidiaries. Amortization of this goodwill in fiscal 1993 was DM22 million.

(7) Investments

(in millions of DM)	10/1/92	Trans- lation- adjust- ment	Addi- tions	Reclassi- fications	Retire- ments	9/30/93	Accu- mulated write- downs	Accu- mulated equity adjustment	Net value as of 9/30/93	Net value as of 10/1/92
Interests in subsidiaries	813	4	917	50	284	1,500	114	(18)	1,368	565
Interests in associated companies	2,418	(41)	41	(23)	7	2,388	-	(1,114)	1,274	1,267
Miscellaneous investments	1,017	(6)	578	(27)	223	1,339	255	-	1,084	674
	4,248	(43)	1,536	-	514	5,227	369	(1,132)	3,728	2,506

The additions to interests in subsidiaries relate predominantly to the acquisition of Sylvania. Retirements resulted primarily from initial consolidations. The additions to interests in associated companies include goodwill in the amount of DM5 million. Our share in the net income resulting from equity consolidations amounted to DM223 (1992: DM36) million during the fiscal year.

Miscellaneous investments include interests in other companies as well as loans. The additions are primarily accounted for by loans made in connection with the acquisition of Sylvania. Write-downs of DM12 million on interests in subsidiaries and of DM11 million on miscellaneous investments were made during the fiscal year.

(8) Inventories

(in millions of DM)	9/30/93	10/1/92
Materials and supplies	2,402	2,448
Work in process	4,348	4,489
Finished products and merchandise	4,741	5,140
Cost of unbilled contracts	12,049	12,598
Advances to suppliers	1,547	1,600
	26,087	26,275

(9) Receivables and miscellaneous assets

(in millions of DM)	9/30/93	Due after one year	10/1/92	Due after one year
Accounts receivable — trade	14,713	1,199	14,459	981
Other receivables and miscellaneous assets				
Receivables from nonconsolidated subsidiaries	2,352	696	2,249	32
Receivables from associated and related companies	3,464	1,492	2,753	1,499
Miscellaneous assets	6,924	922	5,903	713
	12,740	3,110	10,905	2,244
	27,453	4,309	25,364	3,225

Miscellaneous assets include DM380 (1992: DM460) million in net deferred tax receivables derived from consolidation entries. The prior year's figure has been adjusted accordingly. In addition, miscellaneous assets include interests in subsidiaries in the amount of DM1,249 (1992: DM1,308) million, which were acquired exclusively as financial investments, as well as a large amount of accrued interest income.

(10) Marketable securities and notes

(in millions of DM)	9/30/93	10/1/92
Treasury stock	45	57
Stock certificates	1,385	1,850
Fixed income securities	7,438	9,299
Fund shares	8,424	3,965
Notes	941	1,429
	18,233	16,600

In fiscal 1993, Siemens AG purchased 465,688 shares of common stock, with a total par value of DM23 million, or 0.8% of the capital stock, at an average price of DM615.90 per share, in order to offer them to employees for purchase. Including the 164,510 shares of treasury stock held at the beginning of the fiscal year, 516,322 shares, with a total par value of DM26 million, or 0.9% of the capital stock, were sold to employees at a preferential price of DM347 per share. At the close of the fiscal year, 113,876 shares of common stock, having a total par value of DM6 million, or 0.2% of the capital stock, remained in treasury. They are valued at DM390 per share.

Our security holdings include debentures and bonds issued by Siemens companies.

For tax reasons, write-downs of DM61 million made in prior years were not reversed in fiscal 1993, although the market price of such securities increased during the year. This reduced net income in fiscal 1993 by DM26 million.

DM6,960 million of the shares in investment funds are managed by Siemens Kapitalanlagegesellschaft mbH. At year-end, these shares had a market value of DM7,719 million.

(11) Capital stock and additional paid-in capital

The capital stock of Siemens AG amounts to DM2,799 million and is divided into 55,050,425 common shares and 923,634 preferred shares, each with a par value of DM50. Each share is entitled to one vote. Under conditions set forth in §23 of the Articles of Association, preferred stock is entitled to six votes per share in a second vote that may be demanded by the holders of preferred stock.

During the fiscal year, capital stock increased by a total of DM1.2 million through the issuance of 24,763 common shares from the other authorized capital as a result of the settlement offered to former shareholders of Siemens Nixdorf Informationssysteme AG (SNI AG), Paderborn. The premium of DM15.8 million was recorded as additional paid-in capital.

The authorized capital of Siemens AG remained unchanged at DM800 million. On March 28, 1991, the Annual Shareholders' Meeting authorized the Managing Board to issue DM500 million in new shares with subscription rights for shareholders as well as for holders of stock warrants (authorized capital I) and DM300 million in new shares for which the subscription right of shareholders is excluded (authorized capital II). These authorizations will expire on March 1, 1996. A lawsuit contesting these resolutions was brought by a shareholder. In its verdict rendered on April 2, 1992, the 15th Munich Regional Court dismissed the complaint with respect to the authorized capital I and upheld the complaint with respect to the authorized capital II. Upon the appeals by both parties, the Munich Regional Appeal Court in a March 24, 1993 order confirmed the verdict. Both parties have appealed against the Regional Appeal Court's order before the German Federal High Court of Justice.

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The other authorized capital amounts to DM163 (1992: DM164) million. Of this amount, DM150 million is reserved to secure the rights to purchase common shares of Siemens AG under the warrants attached to the 8% U.S. dollar bonds of 1992/2002 issued by Siemens Capital Corporation, Wilmington, Delaware. The stock warrants grant option rights for a total of 3,000,000 common shares, which may be exercised until June 2, 1998. The option period is automatically extended for periods of one year terms — but not more than two years — if the market price of the Siemens share is less than the option price at the end of the option period. The option price is DM693. The other authorized capital of DM4 million provides for the settlement offered to former shareholders of SNI AG who have not tendered their shares of SNI AG by September 30, 1993 under the settlement offered by Siemens AG pursuant to §320 par 5, German Corporation Act. The remaining other authorized capital of DM9 million secures the rights to purchase common shares of Siemens AG that were granted to holders of warrants attached to the 6 7/8% 1987/94 DM bonds issued by Siemens Nixdorf International Finance B.V., Vianen, and to the holders of the Nixdorf 1989/97 convertible loans following the integration of SNI AG into Siemens AG.

(12) Retained earnings

Retained earnings include a reserve for treasury stock in the amount of DM45 (1992: DM57) million. The reserve was reduced by DM12 million through transfers to other retained earnings.

After deducting the treasury stock reserve, other retained earnings amounted to DM7,908 (1992: DM6,978) million. We transferred DM1,082 (1992: DM1,074) million to other retained earnings from the consolidated net income of DM1,982 (1992: DM1,955) million. Other retained earnings include DM353 million of special reserves pursuant to §17 of the German DM Opening Balance Sheet Act (DMBiG) which remained after offsetting such reserves against special loss accounts.

(13) Minority interests

Minority interests represent the minority shareholders' proportionate share of the equity of consolidated subsidiaries, primarily Siemens AG Österreich, Vienna; Siemens-Albis AG, Zurich; and Siemens Stromberg-Carlson, Boca Raton, Florida.

(14) Accrued liabilities

The accruals for pension plans at Siemens AG and its domestic subsidiaries provide for the contractual retirement benefits of employees and retirees not subject to collective bargaining agreements. In addition, the accruals provide for 80% of the retirement benefits of employees covered by such collective bargaining agreements as well as their claims for transitional payments. Retirement benefit corporations in Germany provide for the remainder of Siemens AG's pension obligations to employees subject to collective bargaining agreements and to their surviving dependents. In addition, accruals are established

for the retirement benefits of the employees and retirees of our foreign subsidiaries, unless the obligations are covered by pension funds. Moreover, the obligations of our U.S. subsidiaries to provide postretirement benefits other than pension for active and retired employees are shown here. During fiscal 1993, exceptional contributions in the amount of DM396 million were made to the accruals for pension plans in Germany to support the commitment to raise the retirement benefits effective September 1, 1993.

Other accrued liabilities include DM2,392 (1992: DM2,121) million in provisions for taxes. Also recorded here are accruals for deferred taxes of DM404 (1992: DM460) million based on the temporary differences between the financial reporting basis and the tax basis of the consolidated companies' assets and liabilities. The prior year's figure has been restated in other accrued liabilities. In addition, this item consists primarily of accruals for personnel costs, warranty obligations, anticipated losses on contracts, and penalties for contract performance delays.

(15) Debt and other liabilities

(in millions of DM)	Due within 9/30/93 one year		Due within 10/1/92 one year	
Debt				
Bonds and debentures	2,447	614	2,225	3
Loans from banks	1,764	1,459	1,920	1,498
Notes and other loans	434	235	386	99
	4,645	2,308	4,531	1,600
Other liabilities				
Accounts payable — trade	5,964	5,725	4,854	4,640
Additional liabilities				
Liabilities to nonconsolidated subsidiaries	422	391	239	165
Liabilities to associated and related companies	508	409	310	272
Miscellaneous liabilities	6,594	5,997	6,126	5,494
	7,524	6,797	6,675	5,931
	12,169	9,105	11,206	7,531

Tax liabilities totaling DM1,284 (1992: DM961) million are included in miscellaneous liabilities. Furthermore, this item contains liabilities amounting to DM1,031 (1992: DM995) million mandated by the social security program, which consist

of outstanding statutory social welfare contributions and statutory retirement benefit obligations in foreign countries.

Siemens AG has made commitments to lenders of public funds that it will not encumber its real estate.

We have furnished security for debt and other liabilities totaling DM249 (1992: DM351) million. Debt in the amount of DM123 (1992: DM181) million is secured by mortgages. In Germany, debt in the amount of DM20 million is secured by claims under a Hermes export credit guaranty. In some countries, we have executed promissory notes and pledged securities, in conformity with local practice, to secure our debt.

Debt and other liabilities with a remaining term of more than five years totaled DM2,302 (1992: DM2,269) million.

Bonds and debentures
(in millions)

	Foreign currency	DM
Siemens Beteiligungen AG, Zurich 4 1/2% 1983/93 Swiss franc debentures	Sfr 100	114
Siemens Capital Corporation, Wilmington, Delaware 8% 1992/2002 US dollar bonds	US\$ 1,000	1,642
Siemens Nixdorf International Finance B.V., Vianen, Netherlands 6 1/2% 1987/94 DM bonds with warrants		500
Siemens Western Finance N.V., Willemstad, Curaçao 1986/2001 US dollar zero coupon bonds with warrants	US\$ 120	191
		2,447

(16) Net sales

Net sales include our income from leasing and license agreements. A breakdown of net sales by business segment and region is given on page 57.

(17) Research and development expenses

Research and development expenses were reduced by government subsidies in the amount of DM190 (1992: DM226) million.

(18) Other operating income

Other operating income includes, in particular, foreign exchange gains, Berlin sales tax benefits and capital investment grants, income from the reversal of accruals, and gains on the sale of real property.

(19) Other operating expenses

Other operating expenses include exceptional contributions made to the accruals for pension plans. Furthermore, this item

consists primarily of foreign exchange losses and the amortization of intangible assets resulting from acquisitions.

(20) Net income from investment in other companies

(in millions of DM)	1993	1992
Income from investment in other companies	119	77
Income under profit-and-loss transfer agreements	31	24
Share in earnings resulting from equity consolidation	223	36
Losses absorbed under profit-and-loss transfer agreements	(251)	(81)
	122	56

Net income from investment in other companies includes DM41 (1992: DM48) million in income from subsidiaries.

Earnings resulting from equity consolidation consist primarily of our share in the earnings of Bosch-Siemens Hausgeräte GmbH, Munich; Tela Versicherung AG, Berlin and Munich; and GPT Holdings Ltd., London.

Losses absorbed under profit-and-loss transfer agreements include charges relating to restructuring measures at companies in Germany and in other countries.

(21) Net interest income

(in millions of DM)	1993	1992
Interest and similar income	2,747	2,706
Attributable to subsidiaries	(176)	(216)
Less — Interest and similar expenses	(840)	(842)
Attributable to subsidiaries	(36)	(41)
Interest cost component of allocation to pension accruals	(888)	(837)
	1,019	1,027

(22) Other financial gains (losses)

(in millions of DM)	1993	1992
Other financial gains	1,359	1,104
Other financial losses	(517)	(727)
Write-downs on investments and on marketable securities and notes	(128)	(486)
	714	(109)

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(23) Income taxes

Income taxes include German corporate income and local income 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. In addition, income taxes include the deferred taxes resulting from temporary differences.

Corporate income tax credits relating to income from distributions made by domestic companies are recorded under the related earnings and no longer deducted from the income tax expense. The prior year's figures have not been adjusted due to their relative immateriality.

(24) Personnel costs

(in millions of DM)	1993	1992
Wages and salaries	28,443	27,043
Statutory social welfare contributions and expense related to employee benefits	4,546	4,396
Expense for pension plans	2,258	1,597
	35,247	33,036

The expense for pension plans was reduced by the interest cost component included in the addition to accrued pension liabilities in the amount of DM888 (1992: DM837) million. This amount is classified as expense under net interest income.

The average number of employees during the fiscal year was 403,800 (1992: 417,800); they were engaged in the following activities:

	1993	1992
Manufacturing	158,900	172,000
Sales and marketing	144,800	145,000
Research and development	48,100	48,000
Administration and general services	52,000	52,800
	403,800	417,800

(25) Other taxes

Other taxes not based on income in the amount of DM416 (1992: DM477) million are included in the expenses for cost of sales, research and development, marketing and selling, and general administration.

(26) Remuneration of the Supervisory Board and the Managing Board, and loans granted

Provided that shareholders approve the proposed dividend at their Annual Shareholders' Meeting on March 10, 1994, the amount authorized to be paid for the fiscal year will be DM1.1

(1992: DM1.1) million for the Supervisory Board; DM19.1 (1992: DM21.0) million for the Managing Board; and DM22.1 (1992: DM16.0) million for former members of the Managing Board and their surviving dependents. Pension commitments to former members of the Managing Board and their surviving dependents are covered by an accrual of DM144.5 (1992: DM136.7) million.

Loans to members of the Managing Board totaled DM2.3 (1992: DM0.9) million (repaid in 1993: DM0.2 million). These loans bear interest of up to 6% and have contractual terms of up to 12 years.

The members of the Supervisory and Managing Boards of Siemens AG are listed on pages 41 and 42, respectively.

(27) Guarantees and other commitments

(in millions of DM)	9/30/93	9/30/92
Contingent liabilities on notes	204	340
Guarantees	61	57
Warranties	1,680	1,672
Collateral for third party liabilities	4	2

(28) Other financial obligations

At September 30, 1993, we had leased from leasing companies 67 real estate properties, nine of which were located outside Germany. In fiscal 1993, the rental expense under these leases was DM114 (1992: DM127) million. The discounted value of our payment obligations under these leasing agreements amounts to DM836 (1992: DM879) million, including DM1 million to nonconsolidated subsidiaries. Under the terms of the leases, the agreements do not convey the ownership rights to the leased properties; therefore, they are not capitalized in the consolidated financial statements. We also have payment obligations with a discounted value of DM1,219 (1992: DM1,088) million under long-term lease agreements for movable assets and real property. The rental expense in fiscal 1993 amounted to DM185 (1992: DM176) million.

We are committed to making capital contributions of DM20 (1992: DM34) million to other companies, including DM8 (1992: DM10) million to subsidiaries. We are liable for contributions in the amount of DM629 (1992: DM579) million that were not fully paid in, including DM617 (1991: DM577) million to nonconsolidated subsidiaries, as limited partners pursuant to §171 of the German Commercial Code. In addition, commitments exist for unpaid capital contributions in the aggregate amount of DM6 (1992: DM16) million, pursuant to §24 of the German Limited Liability Companies Act (GmbH Act).

We are jointly and severally liable and have capital contribution obligations as a partner in companies formed under the

German Civil Code, through which we have concluded profit-and-loss transfer agreements with other companies, as partners in general partnerships and in a European Economic Community of Interests (EECI), as a member of residential building cooperatives, and as a participant in various joint activities.

(29) Segment information

Siemens is a supplier of electronic and electrical products, systems and equipment. Activities in other lines of business are not significant.

Sales and capital expenditures of the domestic and foreign subsidiaries are assigned to the Group that has the worldwide responsibility for that business activity. Net sales in the table below include intersegment shipments.

By business segment (in millions of DM)	Net sales		Capital expenditures	
	1993	1992	1993	1992
Power Generation (KWU)	8,692	6,570	420	523
Power Transmission and Distribution	5,951	5,568	216	219
Industrial and Building Systems	8,946	8,717	231	272
Drives and Standard Products	6,538	6,686	300	316
Automation	5,365	5,811	180	216
Public Communication Networks	13,549	13,165	422	472
Private Communication Systems	6,267	5,383	434	516
Defense Electronics	1,238	1,460	36	52
Audio and Video Systems	348	261	36	16
SNI	11,922	13,010	460	712
Transportation Systems	3,580	2,718	204	132
Automotive Systems	2,580	2,540	199	241
Medical Engineering	7,905	7,887	317	347
Semiconductors	2,145	1,881	522	470
Passive Components and Electron Tubes	1,507	1,488	102	116
Electromechanical Components	1,023	855	119	87
Osram	2,990	3,119	204	310
Other	1,061	1,251	391	543
Less — Intersegment shipments	(9,959)	(9,861)	-	-
	81,648	78,509	4,793	5,560

Siemens does an extensive international business. Fifty-four percent of total sales are made to customers outside Germany.

Our 198 operating companies outside Germany recorded sales of DM38,044 million and earned net income of DM522 million in fiscal 1993, compared with DM562 million in 1992. A regional breakdown of the net sales and capital expenditures of Siemens AG and its domestic and foreign subsidiaries is shown in the table below.

By region (in millions of DM)	Net sales		Capital expenditures	
	1993	1992	1993	1992
Germany	59,206	56,339	2,778	3,568
Attributable to exports	[21,935]	[19,864]		
Europe excluding Germany	22,634	23,485	1,187	1,160
Included therein				
European Community	[14,116]	[15,183]	[747]	[782]
North America	10,160	8,716	522	515
Latin America	1,935	1,417	109	92
Asia	3,031	2,582	156	184
Other regions	1,184	1,178	41	41
Less — Intersegment shipments	(16,502)	(15,208)	-	-
	81,648	78,509	4,793	5,560

Berlin and Munich, December 13, 1993

Siemens Aktiengesellschaft

The Managing Board

The consolidated financial statements, which we have audited in accordance with professional standards, comply with the German legal provisions. With due regard to the generally accepted accounting principles, the consolidated financial statements present a true and fair view of the Siemens group's assets, liabilities, financial position and earnings. The general review of the Managing Board is consistent with the consolidated financial statements.

Berlin and Frankfurt on Main
Munich, December 22, 1993

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Lanfermann Schnicke
Wirtschaftsprüfer Wirtschaftsprüfer
(independent auditors)

Principal subsidiaries and associated companies

	Sales*	Shareholders' equity*	Earnings*	Siemens' share (%)
	IDM millions	IDM millions	IDM millions	
I. Subsidiaries				
1. Germany				
Siemens Nixdorf Informationssysteme AG, Paderborn	6,176.9	1,912.2	402.5	100
Osram GmbH, Berlin and Munich	1,842.2	1,428.6	116.9	100
Vacuumschmelze GmbH, Hanau	383.4	101.8	4.7	100
Siemens Audiologische Technik GmbH, Erlangen	108.8	55.0	0.2	100
Siemens Übertragungssysteme GmbH, Greifswald	75.6	43.4	1.4	100
Rofin Sinar Laser GmbH, Hamburg	69.0	32.7	(31.7)	100
NRG Nuklearrohr Gesellschaft mbH, Duisburg	73.8	31.5	0.3	100
Siemens Finanzierungsgesellschaft für Informationstechnik mbH, Munich	82.8	2,124.6	203.4	100
Siemens Miet- und Portfolio-GmbH & Co. OHG, Berlin	602.8	709.7	218.4	100
Siemensstadt-Grundstücksverwaltung GmbH & Co. OHG, Berlin	227.8	181.0	99.4	100
Duewag AG, Krefeld-Uerdingen	651.5	67.3	7.8	97
Siemens Solar GmbH, Munich	48.9	60.0	(76.2)	51
Siemens Matsushita Components GmbH & Co. KG, Munich	588.5	48.4	(18.2)	50***
2. International				
A. Europe				
Siemens Beteiligungen AG, Zurich	-	1,696.9	211.9	100
Siemens S.A., Saint Gilles (Brussels)	1,422.6	417.5	62.4	100
ATEAN V., Herentals/Belgium	329.0	53.3	8.1	100
Siemens A/S, Ballerup (Copenhagen)	333.9	77.2	5.3	100
Siemens Osakeyhtiö, Espoo (Helsinki)	210.5	40.5	1.0	100
Siemens S.A., Saint Denis (Paris)**	740.1	73.2	16.1	100
Siemens Automotve S.A., Toulouse	378.0	105.5	18.9	100
Siemens A.E., Elektrotechnische Projekte und Erzeugnisse, Athens**	174.4	61.2	19.8	100
Siemens plc, Bracknell (London)**	1,137.0	422.3	43.6	100
Siemens Plessey Electronic Systems Ltd., Chessington, Surrey**	545.3	3.9	(43.4)	100
Siemens Ltd., Dublin	126.3	6.1	1.4	100
Siemens Telecomunicazioni S.p.A., Cologno Monzese (Milan)	747.3	202.0	5.2	100
Siemens S.p.A., Milan	1,277.7	128.8	(29.0)	100
Siemens Nederland N.V., The Hague	939.4	255.5	21.5	100
Siemens A/S, Oslo	630.1	125.0	10.5	100
Siemens AG Österreich, Vienna**	3,114.0	374.0	44.1	74
Siemens S.A., Lisbon	602.7	177.6	18.6	100
Siemens Elema AB, Solna (Stockholm)	545.8	139.3	41.1	100
Siemens AB, Stockholm	331.0	15.0	4.2	100
Siemens Albis AG, Zurich**	1,370.6	307.0	31.7	78
Siemens S.A., Madrid	722.7	122.1	(52.9)	100
Siniko Ticaret ve Sanayi A.Ş., Istanbul	477.5	46.9	18.8	51
Türk Siemens Kablo ve Elektrik Sanayi A.Ş., Mudanya	217.6	58.7	25.1	55
Osram S.A., Molheim/France	243.1	54.7	5.0	100
Osram Ltd., Wembley (London)	168.7	54.4	3.2	100
Osram Società Riunite Osram Edison-Clerici S.p.A., Milan	365.7	71.1	0.9	100
Osram S.A., Madrid	69.2	12.1	(5.8)	90
Siemens Nixdorf Information Systems S.A./N.V., Brussels	419.3	149.8	8.8	100
Siemens Nixdorf Information Systems S.A., Cergy (Paris)	545.5	36.9	(144.5)	100
Siemens Nixdorf Information Systems Ltd., Bracknell (London)	352.0	30.8	0.5	100
Siemens Nixdorf Informatica S.p.A., Milan	503.3	63.0	(6.8)	51
Siemens Nixdorf Informationssystemen B.V., Vianen/Netherlands	188.8	59.9	10.2	100
Siemens Nixdorf Informationssysteme Ges.m.b.H., Vienna	371.8	78.2	0.8	100
Siemens Nixdorf Informationssysteme AG, Kloten (Zurich)	262.2	46.7	(9.8)	100
Siemens Nixdorf Sistemas de Información S.A., Tres Cantos (Madrid)	211.1	23.1	(150.6)	100

	Sales*	Shareholders' equity*	Earnings*	Siemens' share (%)
	(DM millions)	(DM millions)	(DM millions)	
B. North America				
Siemens Corporation, New York/NY (consolidated financial statements) including ROLM Company, Santa Clara/CA Siemens Automotive L.P., Newport News/VA Siemens Communication Systems, Inc., Boca Raton/FL Siemens Components, Inc., Iselin/NJ Siemens Energy & Automation, Inc., Atlanta/GA Siemens Industrial Automation, Inc., Atlanta/GA Siemens Medical Corporation, Iselin/NJ Siemens Power Corporation, Bellevue/WA	9,038.7	1,293.0	(265.5)	100
Osram Sylvania, Inc., Danvers/MA**	1,551.2	766.8	(9.1)	100
Siemens Nixdorf Information Systems, Inc., Burlington/MA	108.9	1.4	(16.1)	100
Siemens Electric Ltd., Pointe Claire (Montreal)**	841.0	166.5	5.3	100
C. Latin America				
Siemens S.A. Buenos Aires	640.7	31.6	9.7	100
Siemens S.A. São Paulo**	504.0	238.0	24.6	81
Siemens S.A. Bogotá	81.3	46.6	7.6	94
Siemens S.A. de C.V., Mexico City**	252.8	142.9	14.8	100
Siemens S.A. Caracas	87.6	3.0	0.1	100
Osram Argentina S.A.C.I., Buenos Aires	85.5	39.1	(1.8)	66
Osram do Brasil Companhia de Lâmpadas Elétricas S.A. Osasco	128.0	33.3	5.2	100
Osram S.A. de C.V., Naucalpan (Mexico)	59.8	29.6	1.1	100
Siemens Western Finance N.V., Willemstad, Curaçao	-	50.7	(1.5)	100
D. Asia				
Siemens Ltd., Bombay	264.1	67.9	16.0	51
Siemens K.K., Tokyo	271.7	47.9	2.6	83
Siemens Components (Advanced Technology) Sdn. Bhd., Malacca (Malaysia)**	551.8	107.2	13.4	100
Siemens Pakistan Engineering Co. Ltd., Karachi	114.6	18.6	5.9	64
Siemens Components (Pte) Ltd., Singapore	699.0	102.8	13.5	100
Siemens Telecommunication Systems Ltd., Taipei	316.0	198.2	34.8	55
Osram-Melco Ltd., Yokohama	197.7	72.0	(23.0)	51
E. Africa				
Siemens Ltd., Johannesburg**	833.1	130.7	25.7	52
F. Australia				
Siemens Ltd., Richmond (Melbourne)	301.1	59.7	3.4	100
II. Associated companies				
1. Germany				
Bosch Siemens Hausgeräte GmbH, Munich	5,929.4	769.0	158.2	50
Linotype-Hell AG, Eschborn	757.6	461.0	51.6	33
Tela Versicherung Aktiengesellschaft, Berlin and Munich	432.6	313.4	37.4	50
2. International				
GPT Holdings Ltd., London**	2,475.6	1,095.6	207.9	40
Siecor Corporation, Hickory/NC**	712.1	227.6	46.8	50

* These figures comply with the financial statements prepared in accordance with the specific, generally accepted accounting principles in each country and do not reflect the amounts included in the consolidated financial statements. Shareholders' equity and earnings are translated at the year-end current rate, and sales are translated at the average rate for the year.

** Sales, shareholders' equity and earnings according to the consolidated financial statements.

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

Five-year summary

Assets/funds employed	Sept. 30,	1989	1990	1991	1992*	1993*
Siemens worldwide						
Property, plant and equipment		14,379	14,870	16,729	17,327	17,196
Investments		2,646	3,698	2,660	2,506	3,726
Intangibles, fixed assets and investments		17,025	18,568	19,389	19,833	20,922
as a percent of balance sheet total		26%	29%	28%	28%	28%
Inventories		6,888	7,314	8,239	6,282	5,228
Receivables and miscellaneous assets		19,244	19,221	23,274	25,407	27,519
Securities and other liquid assets		21,239	19,347	18,566	19,677	21,813
Total assets		64,396	64,450	69,405	71,199	75,482
Paid-in capital		7,690	8,532	8,883	11,388	11,404
Retained earnings and minority interests		10,864	9,025	9,766	7,892	9,122
Shareholders' equity		18,554	17,557	18,649	19,280	20,526
as a percent of balance sheet total		29%	27%	27%	27%	27%
Accruals for pension plans		11,990	12,735	13,957	14,761	16,012
Other accrued liabilities		18,820	19,101	20,137	20,680	20,322
Total accrued liabilities		30,810	31,836	34,094	35,441	36,334
as a percent of balance sheet total		48%	49%	49%	50%	48%
Debt		4,227	4,058	4,575	4,531	4,645
as a percent of shareholders' equity		23%	23%	25%	24%	23%
Other liabilities		10,805	10,999	12,150	11,947	13,977
Total funds employed		64,396	64,450	69,405	71,199	75,482

Earnings/dividend	1989	1990	1991	1992	1993*
Siemens worldwide					
Income before taxes	2,788	2,823	3,419	3,197	2,912
Income taxes	1,211	1,155	1,627	1,242	930
Net income	1,577	1,668	1,792	1,955	1,982
as a percent of sales	2.6%	2.6%	2.5%	2.5%	2.4%
as a percent of shareholders' equity	8.7%	9.2%	9.9%	10.0%	10.0%
Total dividend of Siemens AG	622	678	686	727	728
Dividend per share (in DM)	12.50	13	13	13	13

Employees** (in thousands)	Sept. 30,	1989	1990	1991	1992	1993
German operations		227	230	243	253	238
International operations		138	143	159	160	153
Siemens		365	373	402	413	391

Personnel costs	1989	1990	1991	1992*	1993*
Siemens	25,905	26,559	31,812	33,030	35,247

Research and development	1989	1990	1991	1992*	1993*
Siemens	6,075	6,980	7,897	7,554	7,635
as a percent of sales	11.2%	11.0%	10.8%	9.6%	9.4%

* Figures conform to the new accounting principles for comparative purposes. Prior years have not been restated.

** Without temporary student workers and trainees.

New orders	1989	1990	1991	1992	1993
German business	27,531	28,432	36,746	40,174	37,830
International business	35,338	39,312	45,420	45,235	46,306
Siemens	62,869	67,744	82,166	85,409	84,136
Change over prior year	+15%	+8%	+21%	+4%	-1%

Sales	1989	1990	1991	1992	1993
German business	28,449	28,352	33,263	36,475	37,271
International business	32,679	34,833	39,745	42,034	44,377
Siemens	61,128	63,185	73,008	78,509	81,648
Change over prior year	+3%	+3%	+16%	+8%	+4%

Capital spending	1989	1990	1991	1992	1993
in Germany	2,697	3,882	3,332	5,861	2,909
International	5,175	3,184	2,263	2,713	3,765
Siemens	7,872	7,066	5,595	8,574	6,674
Acquisition of investments	3,746	2,675	592	3,014	1,881
Capital expenditures	4,126	4,391	5,003	5,560	4,793
Depreciation of property, plant and equipment	4,057	3,975	4,400	4,613	4,560
as a percent of capital expenditures	98%	91%	88%	83%	95%

Cash flow	1989	1990	1991	1992*	1993*
Siemens	7,072	8,765	6,797	7,418	8,139
as a percent of sales	116%	10.7%	9.3%	9.4%	10.0%

Siemens AG
Balance sheet
and statement of income
 in billions of DM (condensed version)

for the fiscal years ended September 30,	1992*	1993*
Net sales	43.3	55.4
Cost of sales	(31.2)	(40.7)
Gross profit on sales	12.1	14.7
Other expenses for R&D, selling and administration	(10.8)	(15.3)
Other income (expenses)	0.8	1.8
Income before income taxes	2.3	1.2
Income taxes	(0.9)	(0.2)
Net income	1.2	1.0

as of September 30,	1992	1993
Property, plant and equipment	6.3	6.5
Investments	18.2	19.4
Fixed assets and investments	24.5	25.9
Inventories	1.8	2.0
Receivables	20.1	21.1
Marketable securities, other liquid assets	9.0	9.2
Total assets	55.4	58.2
Shareholders' equity	19.6	20.2
Accrued liabilities and special reserves	26.5	28.1
Debt	0.6	0.5
Other liabilities	8.7	9.4
Total shareholders' equity and liabilities	55.4	58.2

Annual Shareholders' Meeting
March 10, 1994, 10 a.m.
Olympiahalle, Munich

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Federal Republic of Germany

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This edition of our annual report, prepared for the convenience of English-speaking readers, is based on the German original. French and Spanish versions are also available, as well as an abbreviated version in Japanese.

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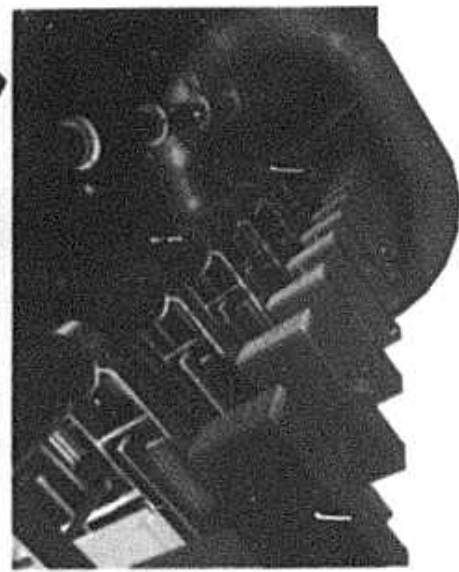
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SIEMENS

Annual Report '94



Siemens at a glance

Siemens*	1994	Change
New orders	60,136	+ 5%
Sales	61,540	+ 4%
Employees	391,000	- 2%
Capital expenditures and investments	6,674	- 14%
Research and development	7,606**	- 1%
Income before extraordinary gain	1,982	- 17%
as a percent of sales	2.4	
Net income	1,982	+ 1%
as a percent of shareholders' equity	10.0	
Total dividend of Siemens AG	728	
Dividend per share in DM	13.00	

Amounts in millions of German marks (DM) unless stated otherwise

* Siemens includes Siemens AG and companies in Germany and other countries in which Siemens AG directly or indirectly has a majority of the voting rights and which are included in the consolidated financial statements

The Annual Report contains the consolidated financial statements of Siemens AG, the Managing Board's combined general review of Siemens AG and Siemens worldwide consolidated for the 1994 fiscal year, as well as additional information not required by law

The annual financial statements of Siemens AG have received an unqualified audit opinion from KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, and will be published in the German Federal Gazette and filed with the Commercial Registries of the Berlin-Charlottenburg and Munich District Courts. These financial statements can be obtained in German free of charge from Siemens AG, Infoservice UK/Z130, P.O. Box 2348, D-90713 Furth, Germany

** Prior year made comparable

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Report of the Supervisory Board

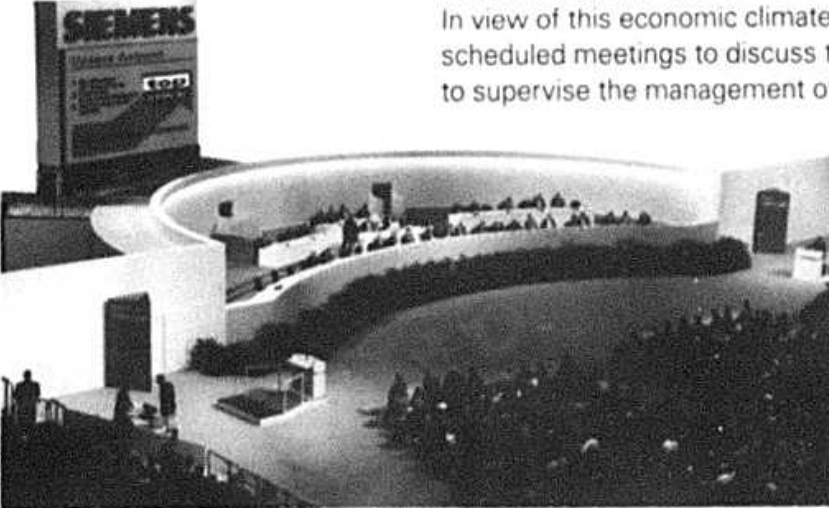
Continuing economic troubles within Europe and profound structural changes in the marketplace are confronting the Company with exceptional challenges. In view of this economic climate, we held more than our four regularly scheduled meetings to discuss the Company's current state. We continued to supervise the management of the Company on the basis of numerous written and oral reports. All are satisfied that the Managing Board has recognized where there is a need to act and has undertaken timely and appropriate measures to strengthen the Company's international competitiveness.

These measures are based on the overall strategy defined and presented to the Supervisory Board last year. At our summer meeting in Leipzig on June 29, 1994, we were given detailed information on

the extent to which this strategy — dubbed "top Siemens" by the Managing Board — has been implemented. We also discussed Siemens' extensive involvement in the new German states as well as the current situation in the Automation Group.

We examined special status reports on Siemens Nixdorf Informations-systeme AG (SNI), which made further progress in its restructuring efforts. The Semiconductors Group, which showed a loss for many years, has now moved into the black. Extensive reports were also provided by the Public Communication Networks and Transportation Systems Groups. The Company's expanding activities in the Americas, Southeast Asia and Eastern Europe were closely watched, and plans for acquisitions, joint ventures and divestments were shared with us. In particular, we discussed the sale of the Company's pacemaker activities. The new Network Systems division was formed on April 1, 1994, to meet the growing demand for local and international data networks. Our meeting on November 9, 1994, was largely devoted to a review of the Electromechanical Components division, which has seen high growth rates and gratifying operating results in recent years, particularly in the automotive relays and telecommunications components sectors. This division will now have the status of an operating group.

The Company's accounting procedures, the annual financial statements of Siemens AG and the consolidated financial statements as of September 30, 1994, as well as the Managing Board's combined general review of Siemens AG and Siemens worldwide consolidated, have been audited and



Annual Shareholders' Meeting on March 10, 1994, Olympiahalle, Munich.

approved without qualification by KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt on Main. We concur in the results of the audit. We also examined the Company's records ourselves and our findings revealed no grounds for objection. In view of our approval, the financial statements are definitively confirmed. We endorse the Managing Board's proposal that the net income available for distribution be used to pay an unchanged dividend of DM13 per share based on capital stock of DM2.8 billion. We also approve the proposal that the amount attributable to treasury stock be carried forward.

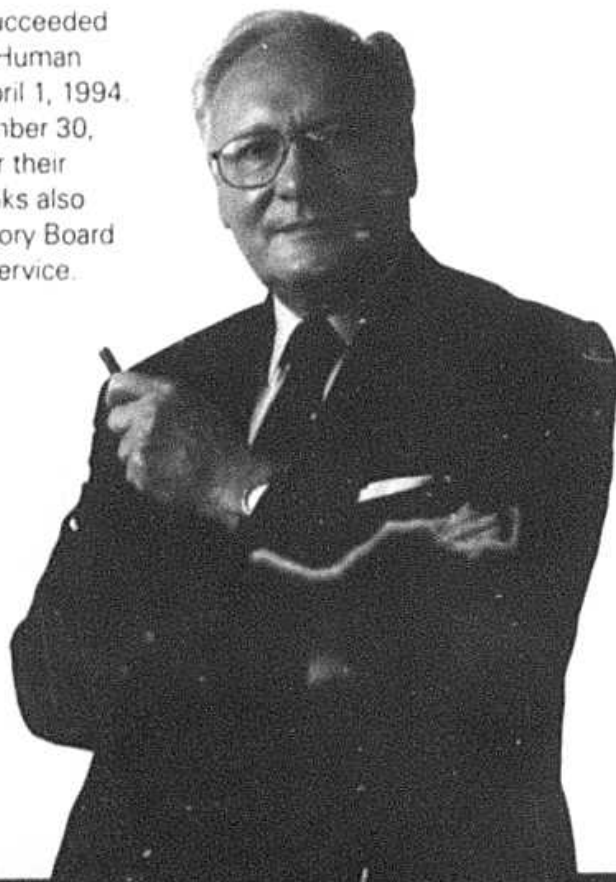
At our meeting on January 12, 1994, we appointed Peter Pribilla, President of the Private Communication Systems Group, to the Managing Board, effective April 1, 1994. We made two further appointments to the Managing Board at our meeting on June 29, 1994: Jürgen Radomski, at the time Vice President of the Medical Engineering Group, who assumed his new duties immediately; and Wolfram O. Martinsen, President of the Transportation Systems Group, who was appointed effective October 1, 1994. On November 9, 1994, we confirmed Jürgen Radomski's election to the Corporate Executive Committee, where he will have special responsibility for all of Siemens' activities in Europe.

Dr. Gerhard Kühne retired on March 31, 1994 and was succeeded by Werner Maly as labor director and head of Corporate Human Resources on the Corporate Executive Committee on April 1, 1994. Dr. Hans Baur and Carl-Heiner Thomas retired on September 30, 1994. We expressed our appreciation to all three men for their long and distinguished service to the Company. Our thanks also go to Alfred Bock, who stepped down from the Supervisory Board on September 30, 1994, after many years of dedicated service. He has been succeeded by Erwin Zahl.

Berlin and Munich, December 14, 1994
For the Supervisory Board



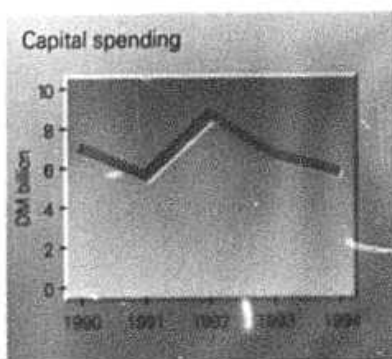
Dr.-Ing. E. h. Hermann Franz
Chairman



Letter to our shareholders

Dear shareholder:

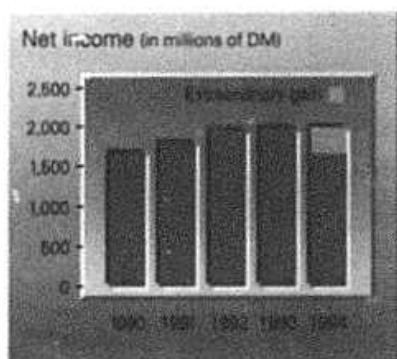
Our overall corporate objective is to provide our customers with products and systems based on outstanding technology at the lowest possible prices, and to do so faster than our competitors. Achieving this, however, is no mean feat, particularly given the dramatic changes sweeping our markets and technologies. These changes are both a challenge and an opportunity for us to assume an active role in shaping the dynamic world in which Siemens does business. Helping set the course of change has been a vital part of our business for nearly 150 years. In keeping with this tradition, we will continue to act as a technological catalyst in establishing industry benchmarks. Fifteen years ago, barely half of our worldwide sales came from products that were less than five years old. This figure has now risen to more than two-thirds — solid proof that we are not just meeting increased demands for change, but are setting the pace for innovation.



Throughout the Company we have launched initiatives to consolidate and enhance our global competitiveness. Our "top Siemens" program, which has been in place since last year, is an ideal complement to the major restructuring completed in 1989. The program focuses on four points:

- simplify and accelerate processes to produce faster results at lower cost;
- promote innovation to provide products that meet all customer needs;
- increase presence in new markets, particularly in dynamic areas such as the Asia-Pacific region, the Americas and Eastern Europe;
- help shape the attitudes and behavior of our managers and employees at all levels to ensure that each individual realizes his or her full potential and creativity for the benefit of customers and the entire organization.

Some of the ensuing measures involved restructuring and the associated charges against earnings. Results were also affected by a continuing slump in our domestic market and a sharp decline in prices worldwide. These factors weighed very heavily on the Industrial and Building Systems Group, which was planning the restructuring of its technical services division, and on the Power Generation Group, which was compelled to decommission its aging mixed oxide fuel production plant at Hanau, Germany, due to political constraints. Our income from continuing operations slipped as a result. Thanks to an extra-



ordinary gain from the sale of our cardiac pacemaker activities, however, our net income after taxes for fiscal 1994 edged up slightly over the previous year. On the basis

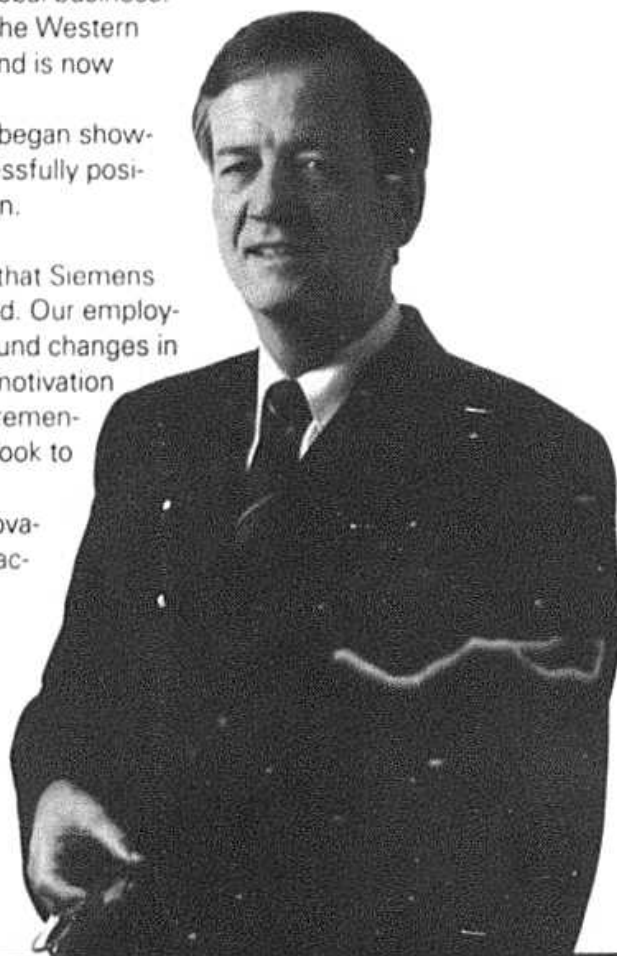
of this performance, we are recommending an unchanged dividend of DM13 per share at the Annual Shareholders' Meeting on February 23, 1995.

Although we are unable to report improved results across all Company units, a number of significant milestones indicate that we are on the right track:

- The Semiconductors Group has now moved into the black after years of losses and is making a significant contribution to earnings.
- The Private Communication Systems Group has weathered the deregulation of Germany's terminals market and has turned Rolm into one of our successful U.S. businesses.
- Siemens Nixdorf Informationssysteme AG continues to reduce its losses and expects its operations to break even in fiscal 1995.
- The successful acquisition and integration of Sylvania in the U.S. has provided Osram with a strong base for expanding its global business.
- The Automation Group is emerging from the slump in the Western European machine-tool industry on a sounder footing and is now poised to market a range of new products.
- The Automotive Systems Group, a relative newcomer, began showing a profit on target in fiscal 1993, and has been successfully positioning itself in an exceptionally tough market since then.

In view of these and other successes, we are convinced that Siemens will be able to surmount any challenges that may lie ahead. Our employees and their representatives are responding to the profound changes in our business environment with purpose, dedication and motivation as they work to make the "top" program a reality. Their tremendous commitment is the driving force that enables us to look to the future with confidence. This renewed team spirit will enable us to achieve the extraordinarily high levels of innovation, productivity, cost-effectiveness and customer satisfaction needed to secure our place as a truly global player.

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



General review

As the global economic environment continued to improve throughout fiscal 1994, all the main indicators in Germany pointed to recovery. Reflecting this general trend, key Western European markets stabilized, as did the reforming economies in Central and Eastern Europe. A major stimulus to the global upswing was provided by the sustained momentum of the U.S. market and the dynamic growth in Southeast Asia.

After the usual time lag, the electrical sector also began to revive. Worldwide, the electrical market expanded almost 7%, with the growth rate varying considerably from region to region. Although demand in Western Europe showed a modest recovery, growth did not reach the medium-term forecast of slightly

over 4%. An across-the-board recovery in Germany's electrical market is not expected until 1995. In contrast, demand in North and South America — for electrical capital goods in particular — rose at a faster-than-average pace. Similarly, robust expansion in the Asian markets continued, although Japan only slowly began to recover from the recession.

Reviving markets in Europe have not solved deep-seated, underlying problems. Profound changes in markets and technologies have precipitated dramatic declines in prices. Some fields, such as telecommunications and data processing, have seen double-digit reductions. Others, such as our energy and industry segments, have also been affected by this trend. As a result, it has become clear that losses in revenue can only be offset by dramatic improvements in productivity.

Development of electrical markets

	1994	1993
World	+ 6.8%	+ 3.3%
Europe	+ 3.0%	+ 2.0%
(Germany)	+ 3.0%	+ 4.6%
America	+13.0%	+12.5%
(U.S.)	+14.5%	+13.9%
Asia-Pacific	+ 4.9%	+ 0.6%
(Southeast Asia)	+11.6%	+11.7%
Africa/Middle East/ C.I.S.	- 1.2%	- 4.5%

Estimated % = growth % percent

Southeast Asia —
a highly dynamic market.

General review

Stagnation at home — growth abroad

Despite the general upturn in the global economy, some adverse market conditions have led to a mixed performance in our operating groups and regions. Overall, business showed only a modest improvement over the year.

Our broad spectrum of activities and strong global orientation once again served as a stabilizing factor in a still troubled and intensely competitive economic environment. Solid growth rates in our international business helped compensate for weaker demand in Germany.

New orders rose 5% to DM88.4 billion and sales 4%

to DM84.6 billion. Most of this growth, however, was attributable to the initial consolidation of our North American OSRAM SYLVANIA activities. Without this factor, orders would have increased 2% and sales 1%.

Business in Germany was again greatly affected by the weakened electrical market and the end of the boom generated by the country's reunification. As a result, domestic orders declined 7% to DM35.1 billion, and sales edged off 4% to DM35.8 billion.

In the international arena, we benefited from a healthier economic climate, notably in the U.S. and the burgeoning markets of Southeast Asia. Orders from outside Germany jumped 15% to DM53.3 billion, while sales climbed 10% to DM48.8 billion. The initial integration of OSRAM SYLVANIA contributed roughly five percentage points to each of these figures. Reflecting our accelerated drive to globalize, international business accounted for 60% of total orders, up from 55% in 1993.

Further consolidation in Europe

Following last year's decline, orders from our Western European neighbors climbed to DM21.7 (1993: DM20.4) billion as the economic recovery in Europe gained momentum and currency markets returned to normal.

Looking at Central and Eastern Europe, economic developments have further stabilized, particularly in the Czech Republic, Poland and Hungary. Orders from this region and the C.I.S. more than doubled to DM2.5 (1993: DM1.2) billion, a figure that does not yet include all our regional activities. A base of local wholly owned companies and joint ventures has enhanced our presence, putting us in a strong position to respond quickly and effectively to the specific demands of national markets. This strategy of building up local production facilities is also improving our cost-effectiveness as well as strengthening our global competitiveness.

Laying the cornerstone of our microelectronics center in Dresden.

Solid growth in the Americas

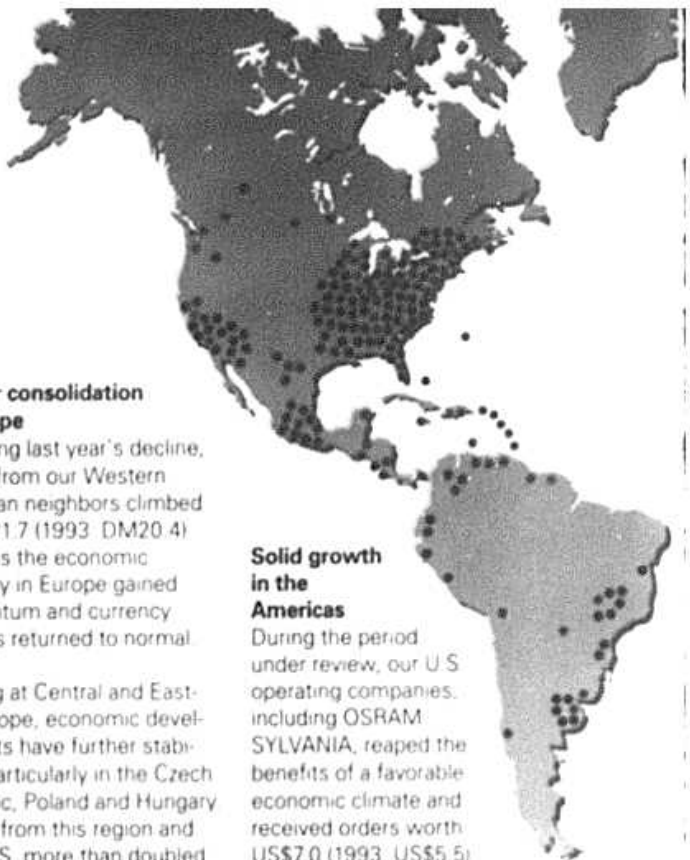
During the period under review, our U.S. operating companies, including OSRAM SYLVANIA, reaped the benefits of a favorable economic climate and received orders worth US\$7.0 (1993: US\$5.5) billion.

As economies in South America continued to stabilize, the performance of our subsidiaries in Argentina and Brazil was particularly gratifying, surpassing the previous year's order volume.

Dynamic growth sustained in Southeast Asia

We continued to tap the enormous potential in the flourishing Asia-Pacific region, where orders increased to DM9.7 (1993: DM8.3) billion. Growth was exceptional throughout Southeast Asia, particularly in the ASEAN states and the People's Republic of China.

The expansion and modernization of infrastructures in the Asia-Pacific region offers exciting market opportunities to which we have responded by strengthening our local presence through partnerships and technology transfers. In China alone, we have already formed some twenty joint ventures with local partners and are currently negotiating an additional thirty cooperations.





Mixed segment performance

As anticipated, business in Germany's energy and telecommunications segments returned to normal after the boom spurred by unification subsided. Although the Public Communication Networks Group showed solid gains in the international market, these only partially compensated for domestic declines precipitated by price erosion and a reduced volume of orders from Deutsche Telekom. Industry-related business continued to be hurt by the recession in Germany. Having been successfully restructured, the Semiconductors Group was in an excellent position to take advantage of the global boom in the components market, and consequently recorded a substantial jump in business. Automotive Systems and the other Groups involved in components also showed robust

growth. The Medical Engineering Group, however, was still affected by restrained investment in the health care sector. Although the computer business was generally hampered by deteriorating prices, the demand for PCs rose

Workforce resizing continues

At the end of fiscal 1994, Siemens employed 382,000 people worldwide, of whom 222,000 worked in Germany

and 160,000 abroad. Excluding gains due to the consolidation of OSRAM SYLVANIA and other companies, this figure represents a workforce reduction of 21,000. The largest number of cutbacks, some 17,000, were in Germany. Resizing measures affected virtually all operating units as well as corporate departments and services. Accelerating developments in global markets and technologies are forcing us to achieve produc-

tivity gains of up to 30% in a relatively short period, making these resizing measures imperative for the Company's long-term viability. To lessen the impact on our people, we have initiated various programs providing part-time job alternatives. As a result, the number of those employed part-time increased nearly 50% to 21,000.

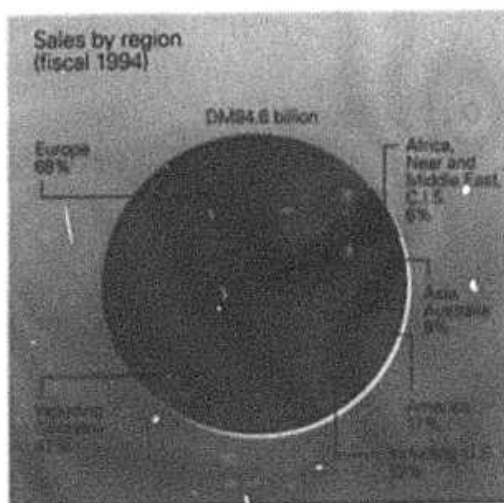
Reduced acquisition activity

Total capital spending declined to DM5.7 billion from DM6.7 billion in fiscal 1993. This decline was largely attributable to reduced acquisitions, which dropped to DM1.2 billion from DM1.9 billion.

We sold our cardiac pacemaker activities, with annual sales of more than US\$350 million and 1,300 employees, to St. Jude Medical Inc., St. Paul, Minnesota. Since this single-product business was not among the core activities of our Medical Engineering Group, it would not have been possible to maintain this activity over the long term without major expenditures. The pacemaker business was sold for approximately DM790 million.

Research and development

Speedy and innovative processes carefully tuned to market needs are a key element of our new corporate mission. To ensure the best operational efficiency, our corporate R&D operations have been consolidated under common management, and the coordination of research activities throughout the various groups has been restructured. Further improvements were also



Report of the Managing Board

General review

made in integrating key areas of technological research and product development

We draw on the ideas of 48,000 researchers around the world, some 13,500 of whom are at work outside Germany. A net total of DM7.5 billion was invested in emerging technologies, representing some 9% of our global revenue and making Siemens one of the most research-intensive companies in the world. As in the past, government funding accounted for only 2% of our total research and development spending.

Drawing on materials research and advances in semiconductors and software, current R&D activities focus on our core businesses of telecommunications, information technology, medical systems and microelectronics. Both the new Network Systems division and the Automation Group are investing heavily in the development of innovative, world-class products and systems.



Targeted research has enabled all high-frequency components in a mobile phone to be integrated on a single micro-electronic chip.

Environmental ethics

The Company's policy to take responsibility for protecting the environment and to conserve precious natural resources is reflected particularly by our continuing efforts to optimize production processes. This work has paid off. During the year, Siemens AG reduced the volume of solid waste more than 25%, wastewater some 20%, and square footage energy consumption by 4%. A total of DM265 million was spent in this sector, including DM220 million for measures to protect the environment, such as water purification and pollution control, and DM45 million in direct investments for state-of-the-art environmental technologies and processes.

We have set mandatory standards to ensure that environmental concerns are thoroughly reflected in product development. And we offer a broad array of products and production methods, such

as our waste treatment plants, specifically designed to help protect the environment.

Charges against earnings

In fiscal 1994, net income from continuing operations after taxes declined to DM1.649 billion, compared with DM1.982 billion the previous year. Earnings were affected in particular by the sustained pressure on prices due to economic conditions and technological developments, comprehensive restructuring measures to strengthen our competitiveness, and unfavorable developments in financial markets.

An extraordinary gain after taxes of DM344 million from the sale of our cardiac pacemaker activities resulted in net income of DM1.993 billion, slightly up from last year's figure of DM1.982 billion.

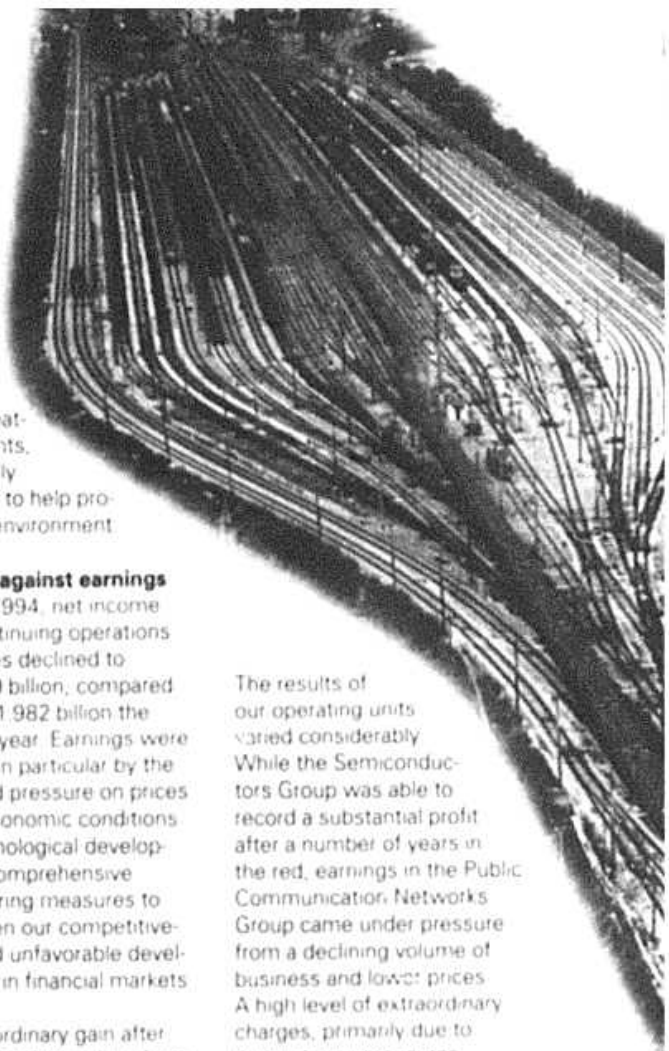
Expanded and accelerated restructuring measures accounted for DM2.678 (1993: DM1.874) billion in costs. These included significantly higher provisions for resizing measures and plant closings, including the decommissioning of our mixed oxide fuel element plant in Hanau, Germany. The DM2.8 billion lost in sales due to eroding prices and the DM1.3 billion added from rising costs were largely offset by savings generated by the "top Siemens" program's productivity-enhancing measures. This led to an improvement in net income before restructuring measures.

The results of our operating units varied considerably. While the Semiconductors Group was able to record a substantial profit after a number of years in the red, earnings in the Public Communication Networks Group came under pressure from a declining volume of business and lower prices. A high level of extraordinary charges, primarily due to restructuring measures, weighed heavily on the operating results of the energy and industry segments. Siemens Nixdorf Informationssysteme AG (SNI) was able to reduce its losses further despite sustained high restructuring costs and continuing price erosion.

Due to the price declines on the equity and bond markets, the financial results were down from a year earlier. The lower income tax expense was primarily due to reduced taxable income in Germany.

Improved asset utilization

The measures adopted to accelerate operating processes also improved utilization of Company assets. At DM3.0 billion, gross fixed assets was more restrained than in the previous year, with net cash from operations increasing liquidity by DM2.2 billion. Expenditures on property, plant and equipment, at



Environmentally responsible process management at Siemens' Speyer facility recycles scarce materials and reduces water consumption.



DM4.5 (1993: DM4.8) billion, corresponded to depreciation, leaving the total for intangibles, fixed assets and investments unchanged. Although business expanded, the working capital — inventories net of advances; receivables from customers; and liabilities to suppliers — declined slightly to DM13.9 billion from last year's DM14.0 billion.

Funds to support this growth were generated internally.

Accruals again financed 48% of our increased total assets. As in the previous year, shareholders' equity grew by DM1.3 billion, primarily as a result of allocations to reserves, raising the equity ratio to 28% (1993: 27%).

DM13 dividend

At the Annual Shareholders' Meeting on February 23, 1995, we will propose that a dividend of DM13 be paid on each share with a par value of DM50, based on the capital stock entitled to the dividend, and that the amount attributable to treasury stock be carried forward.

Looking ahead

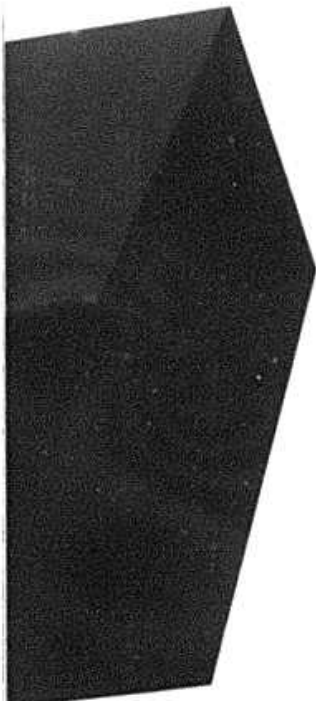
Developments in the German electrical market are only beginning to set the stage for an upturn in our business. Prices, however, are likely to fall even further. Not only telecommunications and information systems, but also the industry and energy segments are now being seriously affected by this trend. Given this situation, we expect no significant growth in orders in fiscal 1995. Due to the high backlog of orders, sales should rise slightly. Nevertheless, pressure on employment will continue.

Business developments in the individual operating units will remain mixed. Operating units involved in components expect growth rates to normalize in the current year.

Efforts to improve productivity as a means of safeguarding our long-term competitiveness are increasingly bearing fruit and will continue to be rigorously pursued. As price pressure continues to mount, however, we will be forced to pass on to the market some of the benefits gained from enhanced productivity. Nevertheless, we expect results from continuing operations to improve in the current fiscal year.

An electronic signal box controls switches and signals at the train station in Bologna, Italy.

Employees



When change is the status quo and productivity and flexibility have to be pushed to new heights, conventional means are simply no longer up to the task. To prevail in our new business environment, we are doing away with outdated, highly specialized ways of doing things and working freely across organizational boundaries. This means flattening hierarchies even further and structuring work groups to share responsibility for implementing and continually improving their work processes. We know that our productivity and ultimate success increasingly depend on unlocking the full capabilities of our people and empowering them at every level with education and training. And we know that only by working in a team environment can we best listen and respond to our customers' needs.

Our managers are expected to demonstrate not only professional expertise, but also the ability to deal effectively with people. Each manager is a partner who sets goals together with his or her group, delegates responsibility and nourishes the entrepreneurial spirit, while being assessed according to the team's ultimate performance. In preparing our people for this new working environment, we once again invested heavily in basic and in-service training, spending DM400 million alone on training over 13,700 young people throughout the world. Some 4,000 individuals successfully completed their apprenticeships in Germany. And despite fewer job opportunities, we employed virtually all of them when they completed their training.

As of September 30, 1994, we had 382,000 people worldwide, 222,000 of them in Germany. This figure is 9,000 below the year-earlier figure. Taking into account the changes in our group of consolidated companies, we actually phased out some 21,000 jobs. These cutbacks were primarily due to further reductions in the extent of vertical integration in production and to vital restructuring measures initiated to safeguard our competitiveness.

To keep our reductions to an absolute minimum, we launched a company-wide initiative designed to offer part-time employment as a viable and secure alternative. The results were impressive: the number of part-time employees rose nearly 50% to 21,000 during the year.



Energy

Large display screens and color monitors simplify power plant and utility grid operation.



With today's heightened awareness of the need to protect our fragile environment and conserve limited natural resources, efficiency is the name of the game when it comes to generating, transmitting and distributing electricity.

Our leading-edge technologies, products and services are making a valuable contribution to providing clean power with the least possible environmental impact.

Market prices for energy technologies continue to erode despite rising global demand, particularly in the high-growth economies of Southeast Asia. We have responded to these cost pressures by launching extensive productivity enhancement programs, expanding our presence in key markets, and making optimal use of Siemens' worldwide production organization.

Our sense of environmental responsibility dictates that efficiency be the top priority in power plant development. The more efficient the facility, the less fuel is required and the lower the emission levels. Our combined-cycle power plants are setting world-class benchmarks in this respect, and are in demand around the globe.

Major energy savings in the transmission and distribution of electricity can be achieved with advanced technologies. Greater use of microelectronics allows the intelligent management of energy. Capacities of existing power grids can be optimized, and losses during transmission from plant to user are significantly reduced.

Siemens' state-of-the-art development facilities are continuing to improve the safety and reliability of energy technologies. Our center in Berlin, for example, is the world's largest privately owned test facility for high-voltage systems. For test purposes, up to 100 million kilowatts of electricity (roughly equivalent to the total output of all of Germany's power plants) can be generated for three seconds.

Energy

Power Generation (KWU)

New orders	DM9.7 billion	+ 11%
Sales	DM7.7 billion	- 12%
Capital spending	DM227 million	
Employees	23,000	

Sales returned to normal levels this year following the billing of an exceptional number of major orders in fiscal 1993. The gain in new orders came from abroad with non-German customers accounting for more than 70% of total bookings. Deteriorating prices in the global power plant market, restructuring measures launched to improve competitiveness, and the decommissioning of part of our operations at the Group's fuel element plant in Hanau, Germany, all had an adverse impact on earnings.

Britain and Russia each placed two orders for combined-cycle (GUD) power plants. To help our power plant control system business gain a foothold in Russia, we formed two Moscow-based joint ventures: Interatomatika for conventional power plants and A.O. Nuclearcontrol for nuclear power facilities.

In Taiwan, we are equipping the Hsinta power plant, whose capacity of 2,210 megawatts makes it the world's largest combined-cycle power plant in the 60-cycle market. We won contracts for the Paka and Pasir Gudang GUD plants in Malaysia, and expanded our business with industrial turbines in Thailand. Our position in the region is being bolstered by our new engineering company, Siemens



Power Generation Asia Pacific Sdn. Bhd., in Kuala Lumpur, Malaysia. Siemens Power Corporation, Bellevue, Washington, is now serving as a competence center for gas and steam turbines and turbo generators in the 60-cycle market, and will be delivering nine of the 15 gas turbines for the Hsinta project.

In response to the growing role of private investors in the power generation sector, we are investing in selected individual projects and operating companies. We hold stakes in a number of BOO (build-own-operate) power plants already on line in the U.S. and Europe, and additional projects are under construction. In India, Indonesia and especially the People's Republic of China, we are also teaming up with local partners on major BOO power plant projects.

Our nuclear technology business focuses on servicing and supplying nuclear fuel to power plants. Although the domestic political climate casts doubt on the future of our Hanau facility, close ties between our German and American nuclear fuel processing plants ensure that we will remain a reliable supplier.

We are building the Belawan combined-cycle power plant in northern Sumatra, Indonesia.

Power Transmission and Distribution

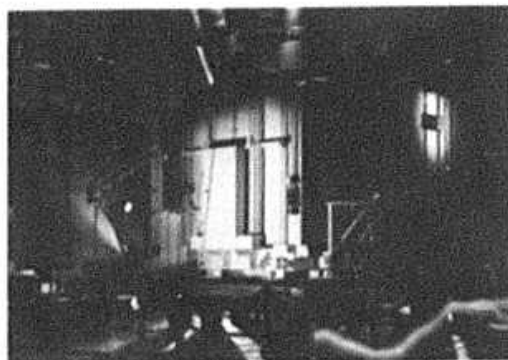
New orders	DM5.4 billion	- 12%
Sales	DM5.5 billion	- 7%
Capital spending	DM157 million	
Employees	22,000	

Despite an initial rise in new orders early in the fiscal year, the final figure showed a marked decline against the previous year. Relentless pressure from competitors and eroding prices continued to take a toll on our business, particularly in the domestic market.

Our high-voltage systems, distribution transformers and power cable business were most affected by these developments. Sales were also well below expected levels, although the previous year's impressive performance in the protective relays, instrumentation and control sectors was sustained. Capital spending returned to normal levels after several years.

Three orders for our pyrolytic system, designed for environmentally responsible disposal and recycling of household waste, were placed for projects in Furth, Ludwigshafen and Dortmund, all in Germany.

Efforts to safeguard our future competitiveness in ever more demanding markets include the further refinements of our gas and steam turbines, the new instrumentation and control system family Teleperm XP and Teleperm XS, fuel cells for distributed power generation and the photovoltaic operations of Siemens Solar GmbH, Munich.



Testing a toroidal coil in Nuremberg before shipment to Canada.

Gas turbine inner casing: special materials and computer-aided design ensure the highest degree of efficiency for both production and operation.

of unusually high investment, particularly in the eastern German states

Business with power transformers remained solid. Major orders for gas-insulated high-voltage switchgear were received in Kuwait, Romania and Singapore. We gained an important foothold for our control equipment in France when Electricité de France commissioned us to modernize its power grid control centers in Paris, Lyons and Versailles.

Our systems for improving power transmission efficiency have met with success around the world. The often considerable losses incurred during transmission are reduced, and power flows are optimized within the grids. Important orders for these intelligent management systems were received in the U.S., Canada, South Africa and Indonesia.

In Australia, we commissioned a power management system for optimizing the power distribution network in the State of Victoria.

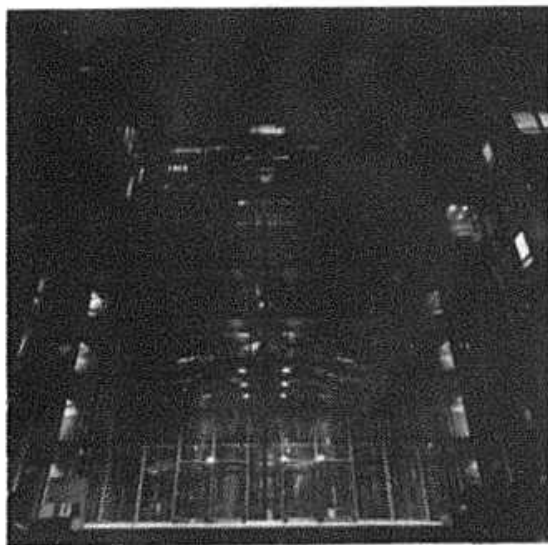
We are concentrating on expanding our market share in Western Europe, the NAFTA member countries and the Far East. By establishing a Group competence center in Kuala Lumpur, Malaysia, and consolidating our presence through a number of cooperative agreements in countries such as China, we have strengthened our position in the high-growth Southeast Asian market.





Industry

Virtually all modern industries, buildings and traffic systems rely on electric drives, switchgear, control systems, installation equipment, measuring instruments, computers and a variety of other standard products and systems. Thanks to networking via communication buses as well as ever greater soft-



Advanced lighting and building systems can dramatically highlight architectural designs.

ware-based intelligence, a whole new world of applications is opening up to our industrial and electrical installation systems. We provide a full range of technical services such as project planning, installation, commissioning, maintenance and training, and supply tailor-made solutions to virtually all industries. Our logistics systems for warehousing and distribution round off our range of products for optimizing complex operations.

New control methods such as fuzzy logic and neural networks result in improved product quality, more flexible processes and higher production output, which in turn mean greater economic benefits to the customer, enhanced environmental protection and conservation

of natural resources. Optimized component integration and the further miniaturization of electronic systems and application-specific microprocessors allow the development of more efficient and cost-effective products like our state-of-the-art numerical control systems, variable-speed drives and memory-programmable controllers. High-frequency electronic fluorescent lamps and luminaires, for example, cut energy costs by up to 75% while providing high output and convenient lighting control.

Such innovations enable us to tap promising new market sectors and to consolidate our competitive strengths in the international arena. To ensure opportunities for future growth, we are continuing to establish competence and service centers as we expand our presence in the North American and Southeast Asian markets.

Industrial and Building Systems

New orders	DM9.1 billion	± 0%
Sales	DM8.6 billion	- 4%
Capital spending	DM82 million	
Employees	42,000	

Slackening sales reflected weak capital investment activity in Germany and dwindling exports to other Western European countries. And, unlike fiscal 1993, no large-scale projects were billed in the year under review. By contrast, the level of new orders remained unchanged, primarily due to a major contract for electrical equipment at a new cold rolling mill in Magnitogorsk, Russia, and a number of medium-sized orders from basic and processing industries in Southeast Asia.

Since most capital expenditure is currently being used to modernize existing plants, the proportion of small- and medium-sized contracts continues to grow. Today's technologies and logistics systems are also making smaller plants more economically viable.

Structural changes in the labor market are placing a considerable strain on our field services, engineering and workshop operations. On the one hand, we are faced with aggressively priced competition from installers and

service personnel from the emerging low-wage Eastern European countries. At the same time, overseas customers are demanding a larger share of local content. As a result, our technical services business is gradually focusing on the organization and supervision of installation work and project commissioning, while the bulk of the work is carried out by local partners. Organizational restructuring coupled with innovative work-time models is helping secure the economic basis of this business segment. Additional restructuring charges to compensate for lower capacity utilization levels will also impact earnings.



Our telematic systems manage road traffic in numerous cities throughout Europe, Southeast Asia and South America. The Euro-Scout route guidance system, currently being piloted in the U.S. under the name Ali-Scout, will be operational in Stuttgart and Berlin in 1995, with other major metropolitan areas in Germany to follow. To further

consolidate our position in this promising business sector, we have acquired a stake in Copilot GmbH & Co. KG, which, in the years ahead, will set up the infrastructure for a nationwide traffic management system.

Underscoring our commitment to Southeast Asia, our new regional headquarters in Singapore is expected to strengthen our market share in this vital region.

All signs in the market indicate that a broad-based upswing in the industrial and building systems business can be expected in the coming fiscal year.

Siemens provided the electrical systems and apparatus for the Rhine tunnel in Düsseldorf.

Drives and Standard Products


New orders	DM7.2 billion	+ 6%
Sales	DM6.9 billion	+ 5%
Capital spending	DM233 million	
Employees	35,000	

Business this year showed mixed results. While the drive systems market was particularly hard hit by restrained industrial investment in Germany, the Group's market leadership in the power conversion segment was underscored by the success of our innovative Simovert series of modular converters. Acquisition of three industrial motor plants from the Czech-owned MEZ group improved our global cost competitiveness and broadened our market base in Eastern Europe. Competence centers were set up in Singapore and South America to boost regional business.

Recent steps taken to improve productivity in the low-voltage controls and systems sector are beginning to pay off. We were the first to successfully introduce vacuum technologies for low-voltage circuit-breakers, a significant advance. Two joint ventures have been set up in China to expand Group activities in the Far East.

Brisk demand in the German housing construction sector and a surge in orders from other European countries stimulated our electrical installations business. Among the numerous orders planned for our Ltd Instabus building management system was one from Germany's Federal Vehicle Licensing Center in Flensburg.





Highly automated production in Amberg, Germany, employs sensors, actuators and control systems linked by a reliable communication system.

The lighting systems business declined as a result of stagnating activity in public and industrial construction and a pronounced drop

in prices. The launch of our electronic lighting control gear in the U.S. is expected to boost business. In a move to strengthen our position in Central Europe, we acquired the luminaire manufacturer Elektrovina Svetilke d.o.o. in Maribor, Slovenia.

Operating in 123 locations, our "i-center" installation center/wholesaling organization is continuing to expand. Sales in eastern Germany surged, and the first "i-centers" in the Czech Republic, Slovakia, Hungary and Poland helped consolidate our position despite difficult market conditions in these countries.

Numerical control systems help make machine-tools more productive and efficient.

Automation

New orders	DM5.6 billion	± 0%
Sales	DM5.9 billion	+11%
Capital spending	DM124 million	
Employees	18,000	

Demand for automation products has been rising since early 1994, primarily due to an upsurge in capital investment by European industry. Our worldwide product and systems business, in particular, benefited from this development. The pace of growth in our major project business, however, was more subdued. We continued to expand business in the U.S., Southeast Asia and China, as well as parts of Western Europe. Sales were pushed up by the billing of the first package handling facilities delivered to Deutsche Bundespost's postal service.

After a long period of retreat, new orders from the mechanical engineering industry have taken an upturn. Our new generations of control systems with vastly improved price-performance ratios have optimally positioned us for meeting growing demand, a fact that is particularly important to our partners in the machine-tool industry.

Electrical industry customers using our automation and surface-mount placement (SMD) systems sustained their level of orders during the year, while business with the

chemical industry only gradually picked up. In the U.S., our gas analyzers held up well against international competition. And American automobile manufacturers will be using our test equipment to ensure that their engines comply with U.S. emission standards.

Our logistics systems are continuing to gain share in the international market. Reflecting this trend, we received an order for automating the baggage transport system at the new Hong Kong airport.

Strong growth is expected during the current fiscal year, particularly in Germany. We will continue to focus efforts on expanding our global market share.





Communications

Telephones at the top of the world: our digital EWSD switching systems have been introduced into Nepal.

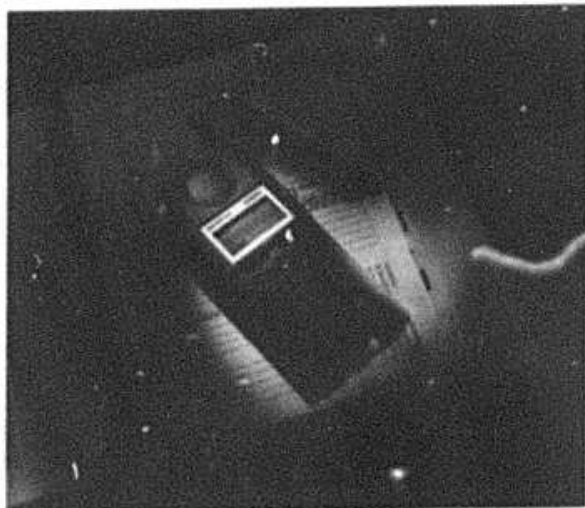


As the world moves toward complex information superhighways spanning the globe, communication systems, information processing and entertainment electronics are gradually melding into one system sharing a common interface: multimedia. The digital exchange of voice, data, text, images and sound is spawning a vast new spectrum of applications. The ability to play games, use learning programs, work and shop from the office or home, to select

or produce your own films, videos and music, or to link partners through video-conferencing and teleprocessing — all open up a host of interactive possibilities. Users everywhere are being linked by a variety of communication and information technologies in an exciting borderless world ready to meet the needs of the next millennium.

Siemens is serving this high-growth, future-oriented market with a full range of products, systems and services. We design and build transmission, switching and cable infrastructures for public and private network operators throughout the world. And we provide customers with everything from intelligent telephones, fax machines, adapters, monitors and special terminals, to private communication systems and sophisticated studio equipment.

We are already supplying customers in Europe, America and Asia with the advanced broadband technology needed for the multimedia world. And we have developed asynchronous transfer mode (ATM) broadband versions for our EWSD telephone switching system and Hicom communication system. Our pilot projects have provided equipment for banks and broadcasting studios, research institutes and industrial companies, hospitals, publishing houses and operators of high-speed data networks. At the same time, our encryption and antivirus programs are safeguarding highly sophisticated multimedia technologies.



Our S3 handy can also transmit faxes and data.

Mobile phone base stations from Italy are marketed throughout the world.



Public Communication Networks

New orders	DM12.2 billion	- 9%
Sales	DM12.8 billion	- 5%
Capital spending	DM395 million	
Employees	41,000	

A drop in prices and sharp cut-backs in investment accounted for the decline in sales and new orders in Germany. Business abroad, in contrast, picked up considerably.

To bolster our presence on the international market, we set up joint ventures in Vietnam, Thailand and India for manufacturing, distribution and software development. Closer to home, our acquisition of Italy's Teleco cavi S.p.A., Roseto degli Abruzzi, will reinforce our position in the telecommunications cable market.

To date, 186 telecommunications operators in 82 countries have ordered some 84 million line units of our EWSD digital telephone switching system. During the course of the year we won major contracts in Indonesia, the Philippines and China.

Together with Britain's Coventry-based GPT Ltd., we are supplying advanced software for intelligent networks to Hutchison Telecom, Hong Kong. In Russia we are helping build a 7,600-kilometer radio relay link — the longest in the world. A nationwide telephone network using Siemens transmission

technology is being set up in Australia. We are supplying two Colombian provinces with state-of-the-art telephone systems. And Siemens Stromberg-Carlson, Boca Raton, Florida, is setting up ISDN access to the projected information superhighway for Southwestern Bell in Texas.

For the high-growth mobile phone market, we have developed a base station that complies with the Global System for Mobile Communications (GSM) standard. Operators from Russia, Bulgaria, Morocco, the Gulf states, Indonesia and the Philippines placed orders for mobile phone equipment during the year. A total of 34 networks in Europe, Asia, Africa and America make us one of the world's leading GSM providers.

To meet the growing demand for future-oriented applications such as video on demand, we are focusing on developing leading-edge

network adapter technologies. Our new EWSxpress concept for broadband communication is based on asynchronous transfer mode (ATM), which promises to be a key technology for multimedia applications well into the 21st century. With some 30 ATM switching systems in five European countries, the U.S. and Japan, we are already one of the major international suppliers of ATM technology.

Private Communication Systems

New orders	DM6.1 billion	+ 3%
Sales	DM6.2 billion	+ 1%
Capital spending	DM440 million	
Employees	23,000	

While business was marked by diverse market conditions around the world, sales in more robust foreign markets were unable to fully compensate for weak demand in Germany. New orders, however, edged up slightly over the previous year.

We have successfully carried out the integration of our U.S. subsidiary Siemens Rohn Communications, Inc., Santa Clara, California. In China, all the companies manufacturing our Hicom systems under license have now been combined in a joint venture headed by Siemens. We won a sizable order from Russia's Gazprom, the world's largest supplier of natural gas.

Our innovative "optiset" telephone system with simplified controls was the first of its kind introduced on the global



Easy phoning: two dialog buttons guide users through the function menu of our "optiset" phones.

market. We expect our Hicom ATM-P system, which serves as the basis for multimedia applications in private communication networks, to be a future growth driver. Also new were service-oriented activities which provide not only communications infrastructures but operational support as well.

Underscoring our sense of environmental responsibility, we joined three partners to form a joint venture for recycling used communications equipment. Our telephone systems plant at Bocholt, Germany, was awarded the 1993 German Logistics Prize for cost-optimized production.

To take advantage of synergies, we merged our mobile phone and communication terminals operations. Reflecting our total commitment to customers, we are actively supporting JUST, ("Joint Users of Siemens Telecommunications"), a recently formed user association.



Operating companies worldwide, such as MCI in the U.S., use our universal networks to carry voice, data and images.

Network Systems*

New orders	DM0.8 billion
Sales	DM0.8 billion
Employees	1,000

Formed on April 1, 1994, our youngest operating unit was created to serve the global market for local and international data networks. As multimedia and information superhighways move into the mainstream, we expect this high-growth, highly-competitive business field to spawn major opportunities.

The start-up phase of our new core business has focused on combining various network activities taken over from other Siemens units. During the current fiscal year, we will concentrate on developing new products and expanding the Group's international sales organization. Although some two-thirds of current sales are in the domestic market, international demand is rapidly growing.



State-of-the-art gallium arsenide technology is at the heart of cost-effective multifunctional radar systems.

Defence Electronics

New orders	DM1.6 billion	+30%
Sales	DM1.4 billion	+14%
Capital spending	DM28 million	
Employees	5,000	

After a weak performance last year, sales rose again, primarily reflecting the billing of several major projects. The increase in new orders is also attributable to a number of large contracts.

One of several orders in Britain was for mobile long-range radar units suitable for use by multinational quick reaction forces. We also won an important development contract for the future Bowman mobile combat net radio system for the British armed forces. We are supplying the German army and the European Corps in Strasbourg with our Heros command control and information system. Testing began on the Cobra reconnaissance system, featuring the world's first operational active phased array antenna, which we are supplying as part of an international collaboration project.

We also won several significant contracts in the air traffic control (ATC) sector, including one for controller workstations at ATC centers in Germany, one for Eurocontrol, and another to modernize all of Sweden's ATC centers.

Audio and Video Systems

New orders	D1,133 million	+5%
Sales	D1,311 million	+11%
Capital spending	DM16 million	
Employees	1,000	

Following the billing of several major projects in fiscal 1993, sales returned to normal.

Our Carat multimedia software system is an innovative response to today's trend toward broadcasting studio automation. An initial project has been completed for Austria's ORF broadcasting company.

For Deutsche Bahn AG, Germany's railroad company, we will be fitting 16,000 seats on high-speed ICE trains with Variorail, our new entertainment system. We have also installed public address systems in the Cologne opera house, Rotterdam's Feyenoord stadium and Shanghai's metro. From Indonesia we received a follow-on order worth DM50 million to continue modernizing the country's radio broadcasting system.



Digital broadcasting based on our Carat system.

* The figures listed reflect the entire fiscal year and are included in the Groups from which this business originated.

Information

Cost-efficient and user-friendly — the new ProCash automatic teller.



Information technology remains one of our business fields undergoing tremendous change in both markets and technologies. Computer performance is making astonishing strides, prices are falling, network integration is burgeoning, and software is becoming the industry's primary focus. Information technology will play a key role in the fascinating world of multimedia.

In view of information technology's crucial importance not only for the data superhighways of the future but also for our systems business, we are committed to this field as one of our core businesses. After Siemens acquired a majority stake in highly unprofitable Nixdorf Computer AG in the fall of 1990 and formed SNI, the young company was swept up in a worldwide recession, plummeting prices and computer industry upheaval. In the midst of this fiercely challenging marketplace, we had to push ahead with the fusion of two corporate units which had once been fierce rivals. Extensive restructuring has now put SNI well on the road to profitability.

Siemens Nixdorf Informationssysteme AG (SNI)

New orders	DM11.7 billion	+3%
Sales	DM11.7 billion	+2%
Capital spending	DM442 million	
Employees	39,000	

As Western Europe's economic recovery gathered momentum in the second half of the fiscal year, demand for SNI's innovative products rose and orders continued to pick up. Major orders included those placed by the Austrian labor administration, the Swiss Coop group, Britain's Superdrug retail chain and Germany's Deutsche Bundespost Telekom.

Our personal computer business enjoyed exceptional growth, enabling us to increase our market share in Germany as well as elsewhere in Europe. We acquired a 10% stake in Escom AG, Bochum, and concluded a cooperation agreement focusing on procurement logistics and manufacturing.

Continuing to expand our international activities, we formed a joint venture with Top-Victory Electronics Ltd of Fuqing, China. The new company will soon begin producing PCs for the enormous regional market.

We maintained our position as European market leader for midrange UNIX* systems. By increasing our equity position in and signing a cooperation agreement with Pyramid Technology Corporation, Mountain View, California, we have secured the rights to use the UNIX operating system for massively parallel processing (MPP) technology currently being developed by Pyramid. In addition, we concluded an OEM agreement for MPP computers supplied by Pyramid.

In the field of mainframes, we further extended the compatibility of BS2000 computers to other operating systems. New mainframes were introduced and our cooperation with Fujitsu was expanded.

In addition to offering suitable hardware and software for PCs and servers in the highly promising multimedia market, we are concentrating on collaborative work, vertical solutions, self-service systems and computer-based training in the multimedia field.

Although the continuing erosion of prices once again cut into sales revenue by almost one billion marks, we managed to reduce losses.

* UNIX is a registered trademark in the United States and other countries and is licensed solely by X/Open Company Limited.

Transportation

Locks, starts and protects cars
Our chipcard replaces the
ignition key



Efficient and reliable transportation infrastructures designed to ensure a high degree of mobility are a crucial factor when choosing a business location.

Increasingly, however, traffic congestion is hampering business activities in major industrial centers throughout the world. Conventional systems can no longer cope with today's passenger and freight demands. Simply improving individual means of transport is not enough. What is needed are intermodal traffic management systems and, ultimately, innovative world-class solutions for optimizing transportation infrastructures.

Siemens is making major contributions toward planning tomorrow's transportation networks. A number of our operating units are working on high-impact programs to optimize transportation systems with bold, leading-edge solutions. The new light-weight diesel-electric railcar offered by our Transportation Systems Group, for example, is a cost-efficient, environmentally responsible and thoroughly comfortable system. Electronic engine control systems from our Automotive Systems Group reduce fuel consumption and emissions, helping ease the burden on both resources and the environment.

Our major strength lies in systems integration. With a wealth of expertise embracing information, communication and automation technologies, we are focusing on the development of traffic management and control systems to improve travel over the rails, on the road and in the air. Our Defence Electronics Group provides all-range, all-weather radar systems and electronic monitoring and coordination systems for air traffic control. Sophisticated management systems from our Industrial and Building Systems Group regulate urban and highway traffic flow, while on-board navigation systems such as Euro-Scout and Ali-Scout guide motorists to their destinations via the shortest possible routes and can be coordinated with public transportation systems to provide information on park-and-ride systems and train schedules. All these activities are aimed at making passenger and freight transportation safe, fast, economical, comfortable and environmentally compatible. Our enormous pool of expertise in all relevant business fields is invaluable in pursuing these goals.

Our passenger information system, developed with DSB-Consult, provides up-to-the-minute information in Denmark.

Transportation Systems

New orders	DM5.4 billion + 3%
Sales	DM4.3 billion + 21%
Capital spending	DM100 million
Employees	12,000

The billing of large-scale projects in Germany for rolling stock and rail safety systems had a strong impact on sales. Despite mounting price pressure, the value of new orders edged up once again. Prospects for long-term growth in the railroad equipment market also look encouraging: metropolitan areas throughout the world urgently need to upgrade and expand their transportation infrastructures.

Germany's rail system reform took effect on January 1, 1994, opening up new opportunities. A major order from Deutsche Bahn AG for Siemens and AEG to supply 60 second-generation ICE trains has provided great momentum to our business. As part of our efforts to modernize eastern Germany's rail system, we are upgrading a total of 250 railroad crossings.

Further major orders came from important rail markets in the U.S. and Southeast Asia.

We are supplying light rail vehicles to the Los Angeles Metropolitan Transportation Authority, and drive units for rapid-transit trains in Taiwan. An order from East Japan Railways for electric drives gave us a foothold in the important Japanese market.

The trend today in rail transportation technology is toward standardized modular systems that can be used anywhere in the world. Having formed our own rolling stock division, and with equity in other rail vehicle engineering companies, we are now a full-line supplier for complete turnkey transportation systems. Our competitive advantage lies in the breadth of our product spectrum. Selective alliances with partners throughout the world are making us more competitive and enhancing our presence in the global market.



Our business focuses almost equally on rail vehicles, and on plants and systems for safeguarding, managing and scheduling railroad operations. Development work is devoted primarily to electronic train safety and operations man-

agement systems, innovative concepts for trainsets, and systems and components for optimizing local and long-distance transportation.

Combined on-board navigation, radio and telephone directory ensures optimal driver convenience.



Automotive Systems

New orders	DM3.0 billion +15%
Sales	DM3.0 billion +16%
Capital spending	DM238 million
Employees	14,000

While prices in the automotive supply industry continue to deteriorate, the rapidly growing use of electronic components in automobiles and a strong upturn in the European and U.S. markets gave a major boost to both sales and new orders.

Capital spending was largely channeled into improving processes and setting up or expanding new facilities. Three new production plants were opened — in Gainesville, Georgia, and in Guadalajara and Ciudad Juárez, Mexico — to supply the North American Free Trade Agreement area with innovative products and systems. One of our major strategic objectives is to intensify our cooperation with components suppliers owned by American automobile manufacturers.

Acquisition of a majority stake in Britain's Dunlop Automotive Composite, now called Siemens Automotive Systems Ltd., Telford, has given us a

production site in Europe for fuel intake modules and integrated fuel/air injection systems, which are already a success in the North American market. We have increased the number of our factories in Eastern Europe from three to five. In Southeast Asia, we are focusing on expanding our Chinese joint ventures for manufacturing automotive electronics, components and electric motors.

Research and development activities are not only working to improve sensors and fuel injectors; we are also focusing on drives for electric cars and multifunctional displays for driver information and on-board navigation systems.

The number of sophisticated electronic components in automobiles will continue to rise. Growing demand for environmentally compatible and fuel-efficient automobiles, for more stringent safety standards, and for more effective interfaces between drivers, vehicles and traffic flows using state-of-the-art information and navigation technologies is opening up virtually unprecedented opportunities. As we position ourselves for this promising future, we will further improve productivity to counter the downward pressure on prices. We intend to remain an attractive partner for industries everywhere by offering close cooperation and a full range of competitive-edge products.



Health care

The Magnetom Open magnetic resonance imaging system — reassuring for patients, convenient for doctors.



Preventive medicine, diagnostics and therapeutics are the three mainstays of health care. In all these fields, Siemens provides state-of-the-art medical systems, equipment and services for professionals and medical facilities around the globe. We cover the entire spectrum of imaging technology — from X-ray, angiography and ultrasound systems to computed tomography and magnetic resonance imaging systems — as well as dental-care systems, hearing instruments and systems for patient monitoring. Hardly any other field of electrical engineering and electronics depends so heavily on rapid innovation. In the angiography sector, for example, over 80% of our products are less than one year old. Medical equipment and systems combining diagnostic and therapeutic functions hold great promise for the future. Reflecting this trend, we have developed the Magnetom Open, a C-shaped magnetic resonance imaging system that increases patient comfort. Similarly, our new T.O.P angiography system makes possible cost-efficient therapy while minimizing the invasiveness of any required procedures. Advanced X-ray technology is further reducing radiation exposure by using digital image processing and by integrating technology and therapy more closely.



Computed imaging systems being assembled at our joint venture facility in Shanghai

Medical Engineering

New orders	DM7.8 billion	- 2%
Sales	DM7.5 billion	- 5%
Capital spending	DM276 million	
Employees	25,000	

Recessionary conditions in the industrialized world, budgetary restrictions in the health care sector and competitive pressure on prices all combined to hamper business.

Concentration of our computed tomography and angiography businesses in Forchheim, Germany — a DM85 million investment — is almost complete.

State-of-the-art metal-envelope X-ray tube units are being manufactured at a new clean-room plant in Erlangen. We installed Austria's first electron beam tomograph, whose superfast exposure times freeze views of the heartbeat in the form of high-resolution images. Our advanced Sireskop CX X-ray system is meeting with great success around the globe, and Eastern European companies are showing considerable interest in licensing agreements.

Our assembly plants for computer tomographs in Goa, India, and Shanghai, China, continue to boost sales in the Asia-Pacific region. Business in Japan rebounded during the

year, and the Group posted gratifying sales in Eastern Europe and Latin America.

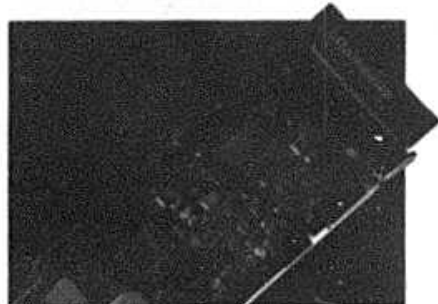
In the U.S. and other parts of the world, we are currently modifying our production processes according to agreements made with the U.S. Food and Drug Administration to ensure full compliance with Good Manufacturing Practice Regulations.

With the field of implantable cardiac systems having evolved into a complex systems business involving a substantial share of products and activities unrelated to our core businesses, we decided to divest our pacemaker activities.



Components

The Gigalink card is used in high-speed data networks.



Serving as the basic building blocks for all electronic systems, electronic components represent a global market of nearly US\$200 billion. Innovative and low-cost components are the lifeblood of the information technology we encounter in virtually every aspect of our daily lives. Televisions, computers, mobile phones, state-of-the-art transportation systems or industrial processes — none would be possible without a multitude of sophisticated components. Our wide range of standard components, a mainstay of our business, offers users cost-effective solutions and the advantage of interchangeability. Application-specific solutions are also gaining in importance, and provide high-performance customized components that allow the development of ever smaller and more efficient devices.

Semiconductors

New orders	DM3.6 billion + 37%
Sales	DM3.1 billion + 43%
Capital spending	DM667 million
Employees	14,000

Thanks to the healthy state of the semiconductor market as well as our extensive program of restructuring over a two-year period, the Group achieved a marked increase in productivity and is now contributing to corporate profits.

Vigorous growth in the mobile communications sector boosted demand for telecommunication ICs as well as high-frequency and optoelectronic components. We suc-

ceeded in consolidating our leading position in the smart-card IC sector even further, while business with high-performance components for the automotive industry and industrial electronics flourished.

Sales of DRAM memory chips were buoyant. Our substantial investment in research and development has laid a solid foundation for planned sales growth as well as for the construction of a microelectronics center in Dresden, which will initially manufacture 16-megabit chips and later produce chips of the 64- and 256-megabit generations, including logic ICs.

Passive Components and Electron Tubes

New orders	DM1.8 billion + 17%
Sales	DM1.6 billion + 7%
Capital spending	DM123 million
Employees	9,000

Business once again showed a pronounced improvement over 1993, pushed by a sharp rise in orders from Asia and America and growing demand in the auto electronics and mobile phone sectors. Our entire range of products is enjoying solid success in both of these sectors. To exploit growth potential throughout the world, we are continuing to expand and streamline our production facilities. In its fifth year of existence, our joint venture with Matsushita in the field of passive components has proved a valuable complement to our activities.

Electromechanical Components

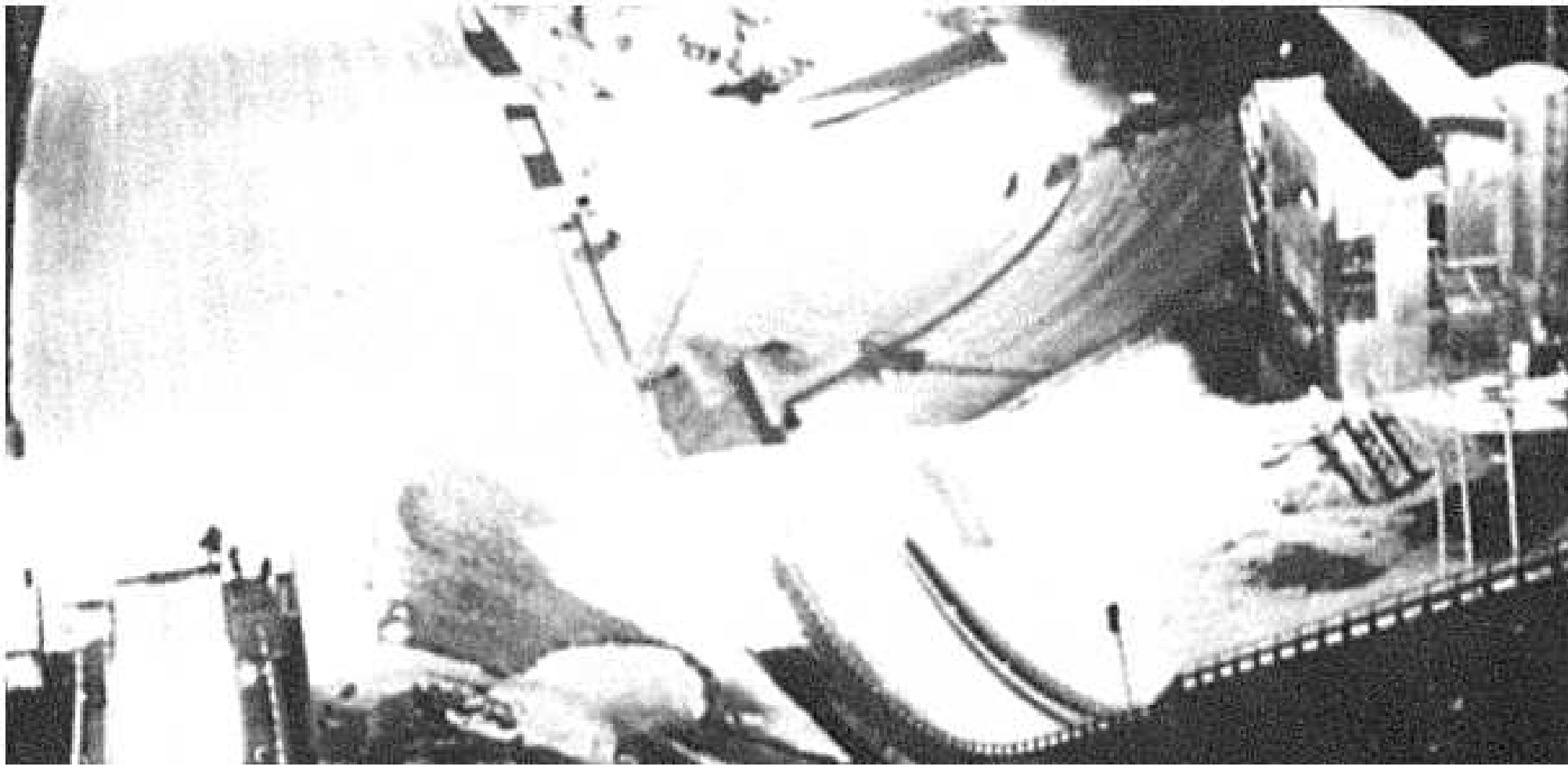
New orders	DM1.1 billion + 10%
Sales	DM1.1 billion + 5%
Capital spending	DM104 million
Employees	8,000

Although growth in the Group as a whole was subdued, our relay business saw double-digit expansion generated primarily by orders from the automobile industry. Our plug connectors for telecommunications and automotive applications are now being marketed in the U.S., and our hybrid circuits have scored initial successes with automobile components suppliers. We are planning to expand our activities to China and India. Our extensive streamlining and restructuring measures are on target and remain a top priority.

Ceramic components are ideal for a wide variety of applications, from temperature sensors to high-frequency filters.



Ceramic packages for highly integrated chips on the way to quality control.



Lighting

Optimal lighting ensures that historical buildings retain a sense of drama even at night.



Virtually no other technology plays such an important role in everyday life as does artificial lighting. The range of applications for our products in this field is vast: from general-purpose lamps and lighting systems for automobiles to specialized lighting applications for the photo and optical markets. Our research and development activities center on saving energy, providing more attractive lighting and helping improve public safety with optimized lighting systems. Intelligent technologies are the answer. Electronic control gear perfectly matched to each type of lamp optimizes energy efficiency and operating costs, while enabling us to make major technical advances, such as the ability to change the light color at the flick of a switch.

Osram, which has specialized in lamps and luminaires for decades, is now one of the world's three largest manufacturers in this sector. Our Drives and Standard Products Group develops lighting systems and related electronic and electrical equipment, providing both standard products and customized solutions for office and industrial applications as well as highly innovative filtering systems which optimize the use of natural light while reducing heat radiation. Our Industrial and Building Systems Group designs, builds and installs complete airfield lighting systems as part of its wide array of products.

Osram GmbH

New orders	DM5.4 billion	+82%
Sales	DM5.4 billion	+82%
Capital spending	DM286 million	
Employees	27,000	

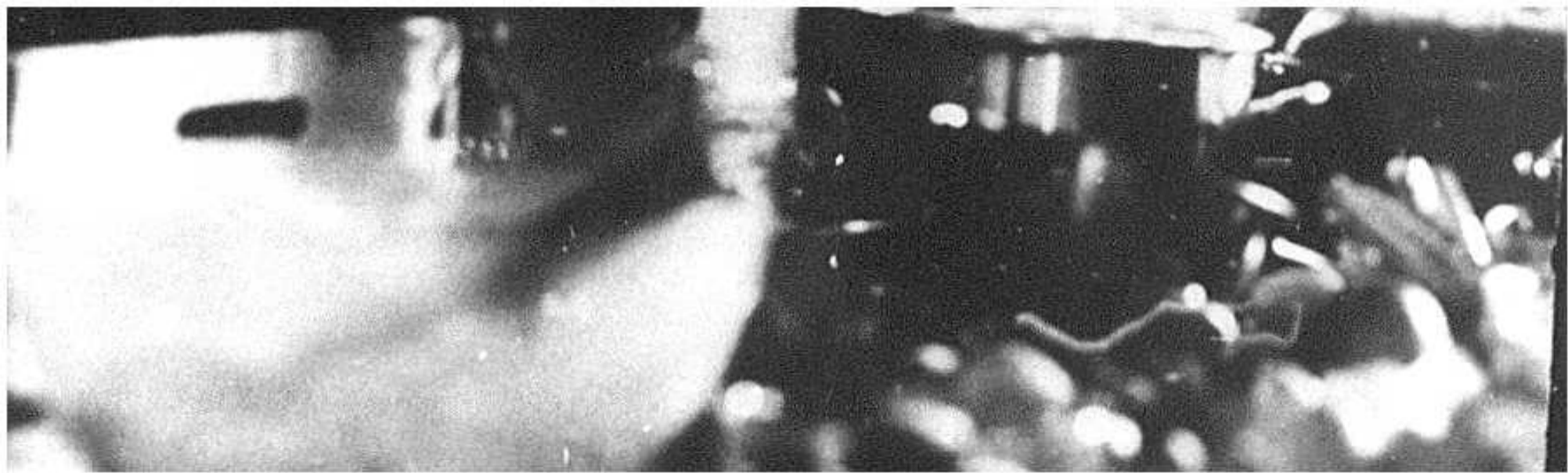
The inclusion of OSRAM SYLVANIA INC., Danvers, Massachusetts, in Osram's consolidated financial statements as of October 1, 1993, pushed sales worldwide to DM5.4 billion. The share of revenue generated outside Germany climbed from 72% to 85%. Even ignoring the effects of consolidation, the company showed a 6% increase in sales despite adverse market conditions.

Demand for conventional mass-market products was affected by the recession in Europe and Japan. In Germany and other parts of Europe, slackening demand only served to exacerbate the already fierce price competition. Despite these factors, however, Osram managed to boost its European sales over the previous year.

Positive trends were also observed in Eastern Europe and the Americas. Successes in the North American market made a major contribution to overall sales growth.

Osram continued to expand its presence in the burgeoning economies of Southeast Asia.

The market for innovative lamps and lighting systems has shown particularly healthy growth despite the widespread recession. Demand remains strong for halogen lamps, compact fluorescents and halide lamps, all market segments in which Osram is solidly positioned.



Bosch-Siemens Hausgeräte GmbH

White goods and entertainment electronics are largely responsible for making Siemens a household name in many parts of the world. For over a quarter of a century, our domestic electrical appliance business has been conducted by Bosch-Siemens Hausgeräte GmbH. This jointly owned subsidiary of Bosch and Siemens designs, produces and markets high-quality domestic appliances and entertainment equipment and is Europe's second largest manufacturer of household goods. The high standard of quality assurance at the company's five German plants was recognized in 1994, when they received ISO 9001 certification. Facilities outside Germany will be certified in 1995.

In addition to providing high-quality products and customer benefit, one of the company's primary objectives is to help promote environmental protection. In March 1994, BSHG became the first German supplier to announce a system for taking back and disposing of used appliances and equipment. Since July 1, 1994, we have been taking back used products from all manufacturers for a nominal fee, and ensuring that these items are properly recycled.

Bosch-Siemens Hausgeräte GmbH (BSHG)*

New orders	DM6.7 billion	-5%
Sales	DM6.7 billion	-5%
Capital spending	DM292 million	
Employees	22,500	

During the fiscal year ended December 31, 1993, Bosch-Siemens Hausgeräte GmbH did not remain unscathed by the troubles plaguing the European economy. After years of growth, consolidated sales dropped 5% to DM6.7 billion. Unfavorable currency fluctuations and a sharp drop in demand eroded sales abroad, while revenue from sales in Germany held at the previous year's level.

Despite these factors, effective cost-management measures and further streamlined purchasing practices helped the company achieve

a relatively sound bottom line compared to the rest of the industry. After transferring DM39.1 (1992: DM70.6) million to BSHG's consolidated retained earnings, a profit of DM58.7 (1992: DM80.2) million was distributed.

To enhance its market position in Eastern Europe, the company is building a washing machine assembly plant in Poland. Since demand both in Germany and abroad is reviving, sales are expected to grow in fiscal 1994 and earnings should exceed last year's level.

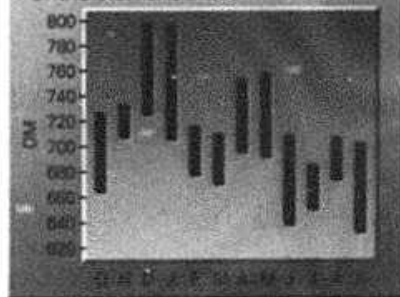
* BSHG is 50% owned by Siemens and is not included in the Company's worldwide consolidated financial statements.



An upper-rack washing program allows mini loads to be done quickly, gently and economically.

Siemens on the financial markets

Fiscal 1994 highs and lows of the Siemens share

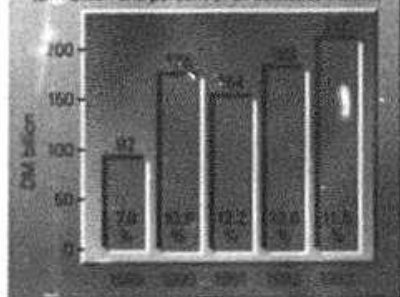


Per-share data in DM

Net income without financial interest	
Dividend	13.50
Cash flow	192.20
Shareholders' equity*	341.50
Market price*	666.50
Shares issued* (in millions)	56.0

as of Sept. 30

Trading in Siemens shares (DM billion and percent of all domestic stock)



Stock market situation

During the early months of fiscal 1994, the German stock market experienced strong surges that led to all-time highs in equity prices in the spring. The ensuing sharp corrective movements, which began in May, were followed by a renewed, but somewhat less conspicuous upward trend that slowed at the close of the fiscal year. Despite optimistic forecasts, market quotations were increasingly affected over the closing months of the year by rising interest rates and fears of renewed inflation.

Siemens share price performance

Since business activity in the electrical and electronics industry normally lags behind the general economic cycle, the Siemens share did not benefit

from these buoyant forces. Moreover, the price of our share was adversely affected by pessimistic reports on our

competitor environment at the close of the fiscal year. As a result, the price of our share lagged behind the F.A.Z. stock market index. Compared with other international electrical and electronics stocks, however, the Siemens share recorded an above-average increase in value over the five as well as the ten-year measured period (Morgan Stanley Electrical & Electronics Stock Index). On September 30, 1994, the market price of our share was quoted at DM635.50. At the Annual Shareholders' Meeting scheduled for February 23, 1995, the Company will again recommend a dividend of DM13 per share.

Liquidity of Siemens stock

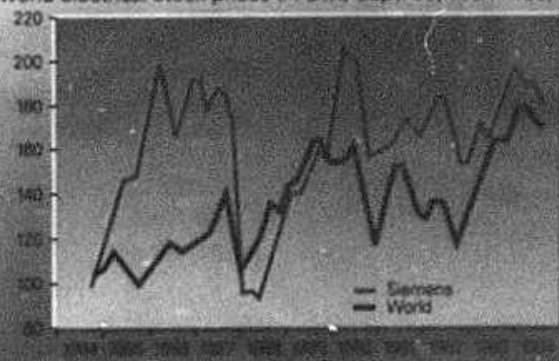
If the trading volume of a specific security is high, investors will normally be able to make large transactions at prices that reflect actual market conditions and have a narrow spread between bid and offer price. The Siemens share is one of the few listed German stocks that satisfies this criterion, and has been the most actively traded stock on German stock exchanges over the past five years, accounting for an average of roughly 11% of the aggregate volume. A steadily increasing percentage of domestic trading is handled by IBIS, the integrated computerized trading system used in Germany since 1991. At present, more than 38% of Siemens stock trading is executed over this system. Some 90% of all trading in Siemens shares was channeled through German stock exchanges, and around

10% was accounted for by foreign exchanges listing the stock. Roughly 8% of trading is done on the London Stock Exchange; the rest is handled by the exchanges in Amsterdam, Basel, Brussels, Geneva, Paris, Vienna and Zurich. The relatively low volume handled by foreign exchanges is a clear indication that even Siemens shareholders residing outside Germany, who hold approximately 40% of Siemens' capital stock, prefer the higher liquidity of German stock exchanges. This high liquidity, brought about by concentrated trading, must be taken into account when considering the introduction of the Siemens share on additional stock exchanges.

Investor Relations

The sustained interest of domestic and foreign investors in Siemens shares requires an effective communications strategy with investors, financial analysts and the financial press. Responding to this need, we established our Investor Relations department to provide shareholders and investors as well as prospective investors and analysts with up-to-date information about the Company. We regard Investor Relations as an integral part of our corporate communications strategy. We reach the vast majority of our shareholders by mailing around 700,000 copies of an

Market price of Siemens stock relative to world electrical stock prices (in DM; Sept. 30, 1994=100)



abbreviated version of our Annual Report every year. A comprehensive overview of Company activities is also provided in our Investor Handbook. In addition to regularly informing the public at press conferences and through interim and annual reports, our Investor Relations activities focus on providing the national and international financial markets with the latest Company news. This includes making presentations to audiences of investors and analysts in Germany and abroad, and issuing publications in six languages. The Investor Relations department also arranges visits for interested investors and is available to answer their inquiries.

The general framework for our dialog with the financial markets is based on the relevant international standards, which were incorporated into German law in the summer of 1994 when the 2nd Financial Markets Promotion Act was passed. The regulations on insider trading and ad-hoc publicity provided for in the

Act had already been the basis of our Investor Relations activities in the past.

Siemens Kapitalanlage-gesellschaft mbH (SKAG)

Siemens' medium- and long-term liquidity is invested in SKAG's specialized funds. These funds represent, in particular, liquid assets tied up in the Company on a long-term basis by provisions for pension commitments and on-going pension payments.

Short-term assets that may be readily converted into cash when required are administered by Siemens AG or its domestic and foreign subsidiaries.

The volume of assets managed by SKAG in fiscal 1994 increased by DM9.0 billion. On September 30, 1994, the aggregate market value of these assets amounted to DM19.0 billion. Of this total, DM2.1 billion was accounted for by Siemens-Altersfürsorge GmbH, a nonconsolidated subsidiary.

Under German law, investment companies are specifically constituted to serve as an instrument for the proper management of financial assets. All SKAG activities are subject to the provisions of the German Investment Companies Act (KAGG) and are supervised by the German Federal Banking Supervisory Agency (BAK) in Berlin. In addition, semiannual reports provide a comprehensive view of the funds' portfolios and their investment performance.

The specialized funds of SKAG are managed in accordance with stated investment objectives and an extended investment horizon, since these financial assets are held

available over the medium and long term. This practice ensures an improved investment performance with higher medium-term yield than can be achieved with generally riskless, short-term direct investments.

Derivative financial instruments

Siemens hedges currency and interest rate exposure caused by its operational business as well as investment and other financing activities through both listed and over-the-counter (OTC) derivative financial instruments (see Note 32). Foreign currency hedges on September 30, 1994, existed primarily with regard to the U.S. dollar and the British pound. Hedges against interest rate fluctuations were essentially short-term debt instruments denominated in German marks or U.S. dollars.

Hedging transactions concluded in connection with the fund management are included in the individual funds' reports and are thus not reflected in the consolidated figures.

All financing activities are subject to rigorous risk control, which is guaranteed by strict separation into trading, processing, and controlling functions and complemented by detailed regular reports showing the actual and current state of the risk exposure.

SKAG	9/30/94	%	9/30/93	%
Assets managed	19.0	100	10.0	100
of which: bond funds	14.1	74	8.6	86
stock funds	2.6	14	1.4	14
balanced funds	2.3	12		

Market values, in billions of DM

The Company

Managing Board

Heinrich v. Pierer, Dr. jur.
President
and Chief Executive Officer

Planning and Development
Special responsibilities: GNI, UK, WPA

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

Volker Jung, Dr. Eng. h.c.
Special responsibilities: HL, ÖN, PN, SI, VS,
Africa, the Near and Middle East, C.I.S.

Walter Kunerth, Prof. Dr.-Ing.
Production and Logistics
Special responsibilities: ZFE, ASI, AT, EC, FR

Horst Länger, Dr.-Ing.
Special responsibilities: AdL, Med. V1,
Quant, America

Werner Maly
Human Resources
Special responsibilities: PD

Jürgen Radomski
Special responsibilities: ID, RF,
Europe

Günter Wilhelm, Dr.-Ing. E. h.
Special responsibilities: AL, T, EV, EWJ,
RF, Asia, Australia

Hans Baur, Dr.-Ing.
until September 30, 1994

Gerhard Kühne, Dr. jur.
until March 31, 1994

Groups

Power Generation (KWU)

Adolf Hüttl
Hans Böhm, Dr.-Ing. E. h.
Andreas Kley

Power Transmission and Distribution (EV)

Horst Brase
Bruno Müller, Prof. Dr.-Ing.
Folker W. Tannenber, Dr.-Ing.

Industrial and Building Systems (ANL)

Eberhard Kil
Hans-Wolfgang Scheler
Gerhard Wibiral

Drives and Standard Products (ASD)

Herbert H. Czefflen
Hans M. Strehle
Reinhard Bubendorfer

Automation (AUT)

Manfred v. Raven
Günther Fritsch
Karl-Heinz Samann, Dr.-Ing.

Public Communication Networks (ÖN)

Erwin Hardt, Dr. oec. publ.
Helmut von Deimling
Hubert Suckfüll
Gerhard Wiest

Private Communication Systems (PN)

Peter Pribilla
Dietrich Botsch, Dr.-Ing.
Jost Hammerschmidt, Dr. rer. pol.
Werner Schmücking

Defense Electronics (SI)

Helmuth Wiegner
Benno Franzreb

Transportation Systems (VT)

Wolfram O. Martinsen
Siegfried Franke
Gerhard Wahl

Automotive Systems (AT)

Franz Wresnigg, Dr.-Ing.
Jens Banaschek, Dr.-Ing.
Jürgen Mache

Medical Engineering (Med)

Erich Reinhardt, Prof. Dr.-Ing.
Robert V. Dumke
Götz Steinhardt

Semiconductors (HL)

Jürgen Knorr
Volker P. Matthäus

Passive Components and Electron Tubes (PR)

Klaus Ziegler
Bodo Lüttge, Dr. oec. publ.

Electromechanical Components (EC)

Manfred Kasserra, Dr. rer. pol.
Helmut Brauneis

Special divisions

Audio and Video Systems (AV)

Anton Wais, Dr. jur.
Rudolf Wanisch

Network Systems (VS)

Ludwig Hoffmann, Dr.-Ing.

Supervisory Board

Hans Günter Danielmeyer,
Prof. Dr. rer. nat.

Research and Development

Erwin Hardt, Dr. oec. publ.

ÖN

Adolf Hüttl

KWU

Eberhard Kill

ANL

Jürgen Knorr

HL

Wolfram O. Martinsen

VT

Peter Pribilla

PH

Carl-Heiner Thomas

(until September 30, 1994)

Corporate departments

Finance (ZF)

Karl-Hermann Baumann, Dr. rer. oec.

Gerhard Kluth, Dr. rer. pol.

Jochen Mackenrodt, Dr. jur.

Albrecht Schäfer, Dr. jur.

Thomas Seeberg, Dr. rer. pol.

Research and Development (ZFE)

Hans Günter Danielmeyer,

Prof. Dr. rer. nat.

Horst Fischer, Dr. rer. nat.

Claus Weyrich, Prof. Dr. phil.

Human Resources (ZP)

Werner Maly

Anton Michl

Walter Schusser, Dr. rer. pol.

Production and Logistics (ZPL)

Walter Kunerth, Prof. Dr.-Ing.

Bruno Freund

Ernst Wilhelm Müller

Planning and Development (ZU)

Heinrich v. Pierer, Dr. jur.

Hansjörg Franzius, Dr.-Ing.

Michael Mirow, Dr. rer. pol.

Ulrich Ziemann, Dr. rer. pol.

Corporate offices

Corporate Communications (JUN)

Eberhard Posner, Dr. rer. oec.

Economics and Corporate Relations (WPA)

Bernd Stecher, Dr. sc. pol.

Services

Infrastructure Services (ID)

Dieter Briese

Personnel Services (PD)

Karl Meister, Dr. rer. pol.

Corporate Computer and Network Services (RIK)

Horst Morgenbrod, Dr. techn.

Hermann Franz, Dr.-Ing. E. h.

Munich

Chairman

Alfons Graf

Munich

Deputy Chairman

Master Toolmaker

Wolfgang Schieren, Dr. jur.

Munich

Deputy Chairman

Chairman of the Supervisory Board

Allianz Aktiengesellschaft Holding,

Munich

Alfred Bock

Erlangen

(until September 30, 1994)

Technician

Ulrich Cartellieri, Dr. jur.

Frankfurt on Main

Member of the

Board of Management,

Deutsche Bank AG,

Frankfurt on Main

Roger Fauroux

Paris

Honorary President,

Saint-Gobain S. A., Paris

Birgit Grube

Munich

Office Clerk

Heinz Hawreluk

Frankfurt on Main

Head of the Company

Codetermination Department,

IG Metall

Ralf Heckmann

Munich

Telecommunications Installer

Detlef Kreyenberg

Munich

Dipl.-Ing.

Heinz Kriwet, Dr. rer. pol.

Düsseldorf

Chairman of the

Management Board,

Thyssen AG, Düsseldorf

Georg Nassauer

Berlin

Steel Casting Constructor

Werner Neugebauer

Munich

Regional Manager for Munich,

IG Metall

Karl-Heinz Nolden

Mulheim

Machine-Tool Fitter

Wolfgang Röllner, Dr. rer. pol.

Frankfurt on Main

Chairman of the Supervisory Board,

Dresdner Bank AG,

Frankfurt on Main

Albrecht Schmidt, Dr. jur.

Munich

Spokesman of the

Board of Management,

Bayerische Vereinsbank AG,

Munich

Nikolaus Senn, Dr. iur.

Zürich

Chairman of the

Board of Administration,

Union Bank of Switzerland,

Zürich

Peter von Siemens

Munich

Hermann J. Strenger

Leverkusen

Chairman of the Supervisory Board

Bayer AG, Leverkusen

Horst Wagner

Berlin

Regional Manager for

Berlin-Brandenburg,

IG Metall

Erwin Zahl

Munich

as of October 1, 1994

Telecommunications Installer

Consolidated financial statements

Earnings and business trends

Declining domestic business, continuing strong price erosion, climbing restructuring charges and lower financial results had a strong adverse effect on income from continuing operations. Income before extraordinary gain slipped to DM1 649 (1993: DM1 982) billion.

The sale of the Company's worldwide pacemaker activities resulted in an extraordinary gain after taxes of DM344 million. Since the sale took effect on September 30, 1994, revenues, expenses and net earnings from these activities are included in the income from continuing operations.

Net income including the extraordinary gain, at DM1 993 billion, edged up from the prior year's figure of DM1 982 billion. The return on shareholders' equity declined to 9.4% from 10% in fiscal 1993.

Acceleration of the "top Siemens" program designed to improve productivity and cut costs required provisions and expenses for restructuring measures of DM2.7 billion, up from DM1.9 billion in 1993. This figure includes DM2.3 (1993: DM1.8) billion for employee related costs, as well as depreciation, amortization and write-downs, and accruals covering the anticipated costs associated with the closing of facilities. The operating units particularly affected by restructuring measures included the Industrial and Building Systems Group, which was impacted by structural changes in the labor market for technical services; the Public Communication Networks Group, which faced a decline in business volume due to eroding domestic prices; SNI which continued to downsize its workforce to boost competitiveness; and KWU, which had charges for decommissioning its old facility for the production of mixed oxide fuel elements as well as part of the uranium processing facility at Hanau.

As a result of improved productivity in nearly all operating units, income from continuing operations rose before these extraordinary charges. Productivity was boosted some 6%, a significant increase over the previous year's figure. Benefiting from its sweeping restructuring program and high growth, the Semiconductors Group showed the greatest jump in productivity. Savings achieved from these measures offset a DM2.8 billion loss of sales revenue due to deteriorating selling prices and a DM1.3 billion increase in costs.

Earnings in the business segments, in which various related activities are consolidated, were mixed. Income before income taxes includes restructuring costs and part of the financial results, insofar as they are immediately related to the business. The extraordinary gain on the sale of the pacemaker activities was not included in the figure for Medical Engineering.

The components segment soared past the break-even point to show a profit of DM300 million, thanks to a surge in sales and comprehensive restructuring measures implemented by the Semiconductors and Passive Components and Electron Tubes Groups. The lighting segment achieved considerably higher profits as a result of the initial consolidation of OSRAM SYLVANIA in the U.S. The energy and industry segments saw declines in earnings due to lower sales, eroding prices and high restructuring charges. Income in the communications segment declined due to reduced business related to expanding the telephone system in eastern Germany and to a drop in prices in the public communication networks sector. In the information systems segment, SNI was able to further reduce its losses before income taxes despite the continuing loss of revenue through deteriorating selling prices and unchanged high restructuring charges.

Business segments	New orders in DM billion		Sales in DM billion		Pre-tax income* in DM million		Capital expenditures in DM million 1994	Employees in thousands 9/30/94
	1994	% change	1994	% change	1994	% of sales		
Energy	15.1	2	13.2	-10	104	0.8	384	45
Industry	21.8	2	21.4	3	119	0.6	439	95
Communications	20.3	-3	20.7	-3	1,118	5.4	879	70
Information systems	11.7	-3	11.7	-2	(319)	-2.7	442	39
Transportation	8.4	7	7.3	19	201	2.8	338	26
Medical systems	7.8	-2	7.5	-5	239	3.2	276	25
Components	6.6	25	5.8	23	300	5.2	894	31
Lighting	5.4	82	5.4	82	291	5.4	286	27
Other	1.3	25	1.3	20	67	5.3		1
Consolidations	(10.0)		(9.7)		(20)			
Total business segments	88.4	5	84.6	4	2,100	2.5	3,938	359
Other, consolidations					10		595	23

The difficult economic climate in Germany, combined with a sharp price erosion and required restructuring measures, burdened domestic income. In the rest of Europe, however, an earlier upward swing of the economy generated satisfactory results. Earnings in the Asia-Pacific region profited from dynamic business developments.

Financial results — i.e. net income from investment in other companies, net interest income, and other financial gains — were below the exceptionally high previous year's level, because earnings from financial investments declined notably due to the strong price decline in equity and bond markets.

Income taxes declined to 22% (1993: 32%) of income from continuing operations, essentially as a result of reduced taxable income in Germany.

Financial situation

Liquidity grew by DM2.2 billion to DM24.0 billion. The increase in liquid assets was primarily attributable to the net cash of DM6.8 billion provided from operating activities, which resulted from the cash flow of DM7.5 billion.

Capital spending, at DM5.7 billion, fell below the 1993 level of DM6.7 billion, in particular for equity investments. Proceeds from the sale of intangibles, fixed assets and investments, notably from the sale of the Company's pacemaker activities, amounted to DM1.4 billion.

The debentures and bonds issued by Siemens Beteiligungen AG, Zurich, and Siemens Nixdorf International Finance B.V., Vianen, were repaid in the year under review, while a principal amount of US\$375 million of the bonds issued by Siemens Capital Corporation, Wilmington, Delaware, was redeemed.

On the other hand, short-term debt, especially in the U.S., was increased on the commercial paper market. Overall, net cash used for financing activities, at DM0.3 billion, declined from DM1.3 billion in fiscal 1993.

Assets and capital structure

The Company's assets and capital structure continued to improve in fiscal 1994. Total assets at year end amounted to DM78.4 billion, a DM3.0 billion increase over the year-earlier figure, but representing a more modest growth than in fiscal 1993. Measures for accelerating operating processes made possible a more intensive utilization of Company assets for expanding business. Total intangibles, fixed assets and investments of DM21.4 billion are now covered by 102% (1993: 98%) of shareholders' equity.

Inventory quantities increased by DM1.3 billion, particularly for long-term contracts. This increase, however, was wholly financed by advances received from customers. Inventories of finished products decreased due to a further reduction in production cycle times.

Shareholders' equity rose by DM1.3 billion to DM21.8 billion, primarily as a result of transfers from net income. It accounted for 28% of total funds employed, a 1% increase from fiscal 1993.

Accrued liabilities accounted for an unchanged 48% of the increased balance sheet total. A contribution of DM0.6 billion was made to the accruals for pension plans. Other accrued liabilities rose primarily due to provisions for restructuring measures.

Debt decreased to DM4.5 (1993: DM4.6) billion, representing only 21% (1993: 23%) of shareholders' equity, a debt-to-equity ratio of 1 to 4.8.

Geographic segments**	New orders in DM billion		Sales in DM billion		Pre-tax income* in DM million		Capital expenditures in DM million	Employees in thousands
	1994	% change	1994	% change	1994	% of sales	1994	9/30/94
Germany	62.9	2	59.4	0	833	1.4	2,440	222
Europe (excluding Germany)	23.4	5	23.1	2	1,040	4.5	890	74
America	15.7	26	15.0	25	14	0.1	871	61
Asia Pacific	4.1	11	4.2	18	177	4.2	211	17
Other	0.8	18	0.8	13	58	7.3	47	5
Consolidations	(18.5)		(17.9)		(22)			
Total geographic segments	88.4	5	84.6	4	2,100	2.5	4,533	382
Other consolidations					10			

Siemens AG, Munich

* Income from continuing operations before income taxes.
** Breakdown by domicile of Siemens companies.

Consolidated financial statements

as of September 30
in millions of DM

Siemens worldwide consolidated balance sheet

Assets	Note	1994	1993
Intangibles, fixed assets and investments			
Intangible assets	(6)	592	277
Property, plant and equipment	(6)		
At cost		48,134	45,774
Less — Accumulated depreciation		(30,737)	(28,855)
		17,397	16,919
Investments	(7)	3,459	3,726
		21,448	20,922
Current assets			
Inventories	(8)	26,429	25,087
Less — Advances received from customers		(21,185)	(19,059)
		5,244	5,228
Receivables and miscellaneous assets	(9)		
Accounts receivable — trade		15,123	14,713
Other receivables and miscellaneous assets		12,520	12,740
		27,643	27,453
Marketable securities and notes	(10)	21,249	18,233
Other liquid assets		2,780	3,580
		56,916	54,494
Prepaid expenses		74	66
Total assets			
Shareholders' equity and liabilities			
Shareholders' equity			
Capital stock of Siemens AG	(11)		
Common stock (total number of votes 55,059,206)	(12)	2,753	2,753
Preferred stock (total number of votes 923,634)		46	46
		2,799	2,799
Additional paid-in capital	(12)	8,611	8,605
Retained earnings	(13)	9,128	7,953
Unappropriated consolidated net income		728	728
Minority interest	(14)	1,458	1,407
Translation adjustment		(914)	(966)
		21,810	20,526
Accrued liabilities			
Pension plans and similar commitments	(15)	16,669	16,012
Other accrued liabilities		21,202	20,322
		37,871	36,334
Debt			
	(16)	4,518	4,613
Other liabilities			
Accounts payable — trade	(16)	6,480	5,964
Additional liabilities		7,306	7,524
		13,786	13,488
Deferred income		453	489
Total shareholders' equity and liabilities			

Consolidated financial statements

for the fiscal years ended September 30
(in millions of DM)

Siemens worldwide consolidated statement of income

	Note	1994	1993
Net sales	(17)	84,598	81,648
Cost of sales	(18)	(58,254)	(55,907)
Gross profit on sales		26,344	25,741
Research and development expenses	(18)	(7,508)	(7,606)
Marketing and selling expenses	(18)	(12,831)	(12,602)
General administration expenses	(18)	(2,514)	(2,528)
Other operating income	(19)	1,872	2,382
Other operating expenses	(20)	(1,876)	(2,456)
Restructuring provisions and expenses	(21)	(2,678)	(1,874)
		809	1,057
Net income from investment in other companies	(22)	389	122
Net interest income	(23)	865	1,019
Other financial gains	(24)	47	714
Income from continuing operations before income taxes		2,110	2,912
Taxes on income from continuing operations	(25)	(461)	(930)
Income before extraordinary gain		1,649	1,982
Extraordinary gain net of DM29 million in income taxes	(26)	344	-
Net income		1,993	1,982

Appropriation of net income	1994	1993
Net income	1,993	1,982
Minority interest in net income of consolidated subsidiaries	(232)	(218)
Minority interest in net loss of consolidated subsidiaries	8	39
Balance brought forward from prior year	4	7
Transfers to retained earnings	(1,045)	(1,082)
Unappropriated consolidated net income/dividend		

Consolidated financial statements

 for the fiscal years ended September 30
 (in millions of DM)

Siemens worldwide consolidated statement of cash flows

	1994	1993
<i>Net cash provided from operating activities</i>		
Net income	1,993	1,982
<i>Reconciliation of net income to net cash provided from operating activities</i>		
Depreciation, amortization and write-downs	4,538	4,605
Increase in accrued liabilities	1,471	1,673
Disposition of intangibles, fixed assets and investments	(375)	(122)
Net income retained by associated companies	(97)	1
Cash flow	<u>7,530</u>	<u>8,139</u>
<i>Change in current assets and other liabilities</i>		
Decrease (increase) in inventories	(1,109)	1,149
Increase (decrease) in advances received from customers	1,394	(53)
Increase in receivables	(1,387)	(1,571)
Increase in liabilities	407	1,439
Net cash provided from operating activities	6,835	9,103
<i>Net cash used for investing activities</i>		
Additions to property, plant and equipment	(4,533)	(4,793)
Payments for acquisition of investments	(1,188)	(1,881)
Proceeds from sale of pacemaker business	792	-
Other proceeds from sale of intangibles, fixed assets and investments	642	1,039
Net cash used for investing activities	(4,287)	(5,635)
<i>Net cash used for financing activities</i>		
Issuance of new shares of stock	6	16
Repayment/redemption of bonds and debentures	(1,183)	-
Increase (decrease) in other debt	1,224	(141)
Prior year's dividends paid	(721)	(720)
Other financing transactions	394	(416)
Net cash used for financing activities	(280)	(1,261)
Impact of exchange rate fluctuations on liquid assets	(52)	(71)
Change in liquid assets	2,216	2,166
included therein:		
Marketable securities and notes	3,016	1,533
Other liquid assets	(800)	503

Liquid assets at September 30

Consolidated financial statements

Notes

(1) Acquisition of subsidiaries

The North American lamp business, which was acquired in fiscal 1993 from GTE Corporation, Stamford, Connecticut, and which now operates under the name of OSRAM SYLVANIA INC., Danvers, Massachusetts, was included in the consolidated financial statements for the first time, together with five subsidiaries.

During the fiscal year, a majority interest was acquired in SGP Verkehrstechnik Ges.m.b.H., Vienna. This company has been included in the consolidated balance sheet as of September 30, 1994.

In addition, a majority interest in Telecomavi S.p.A., Roseto degli Abruzzi, together with 11 subsidiaries, was acquired during the fiscal year. These companies will be included in the consolidated financial statements as of fiscal 1995.

A total of six subsidiaries in Germany and 20 subsidiaries in other countries were consolidated for the first time, while 11 German companies and 17 companies outside Germany are no longer included in the consolidated financial statements.

As a result of the initial consolidation of subsidiaries, total assets and net sales increased by DM0.7 billion and DM2.5 billion, respectively. In addition, goodwill in the amount of DM316 million was capitalized as an intangible asset.

(2) Principles of consolidation

The worldwide consolidated financial statements include virtually all the domestic (German) and foreign subsidiaries. In addition to Siemens AG, 57 (1993: 62) subsidiaries in Germany and 225 (1993: 227) subsidiaries in foreign countries have been consolidated. 352 (1993: 325) companies that are either inactive or have a low business volume are not included in the consolidated financial statements, because they have little or no significance for the presentation of Siemens' overall position. Full consolidation of these companies would have increased consolidated sales by approximately 2%. In addition, we have omitted retirement benefit corporations and housing companies, whose assets are assigned for a specific purpose, as well as those companies whose shares were acquired exclusively as financial investments.

Interim statements are used for consolidated subsidiaries whose fiscal year differs from that of Siemens AG.

Investments in 33 (1993: 32) associated companies and in one (1993: two) subsidiary have been accounted for under the equity method. An additional 133 (1993: 126) other associated companies were not accounted for in this manner because of their relative immateriality.

The principal subsidiaries and associated companies are listed on pages 58 and 59. A complete list of the Siemens organization's holdings is being filed with the Commercial Registries of the Berlin-Charlottenburg and Munich District Courts.

In consolidating our investment in subsidiaries, we offset the purchase price against the value of Siemens' interests in the shareholders' equity of the consolidated subsidiaries at the time of their acquisition or initial consolidation. Any resulting goodwill is capitalized as an intangible asset and amortized.

The same principles are applied in consolidating companies under the equity method, with any resulting goodwill being reflected in the valuation basis of the investment in these companies.

All intercompany transactions between consolidated companies have been eliminated from the consolidated financial statements.

(3) Foreign currency translation

In the individual financial statements, receivables and liabilities in foreign currency are translated at the rate existing on the transaction date or at the respective lower or higher rate on the balance sheet date. When foreign currency receivables and liabilities of our subsidiaries outside Germany have been hedged by forward exchange transactions, they are valued at the corresponding hedging rate.

The Company's foreign subsidiaries' financial statements are translated using the year-end current rate method. Under this method, intangibles, fixed assets and investments as well as the other assets and liabilities are translated at the year-end current rate (the average of the buying and selling rates). Revenues and expenses as well as net income are translated at the average rate of exchange for the year. The cumulative currency gains or losses resulting from the translation of net worth are recorded as a separate component of shareholders' equity.

Intangibles, fixed assets and investments as well as the non-monetary assets and liabilities of the Company's subsidiaries in the highly inflationary economies of Brazil and, for the first time, Turkey are stated at their current value or replacement cost and translated at the year-end current rate of exchange. Revenues and expenses of these subsidiaries are valued and translated in the same manner.

Consolidated financial statements

Notes

(4) Principles of accounting and valuation

The annual financial statements of the companies included in the consolidated financial statements are prepared according to uniform principles of accounting and valuation. The tax-deductible special reserves included in the individual financial statements of the domestic companies have been reversed in the consolidated financial statements. Valuations in the annual statements of companies accounted for under the equity method that deviate from these uniform principles have not been adjusted on the basis of immateriality.

Acquired intangible assets are amortized over a period not exceeding five years, while capitalized goodwill is amortized up to a maximum of 15 years.

Property, plant and equipment is valued at acquisition or production cost less scheduled depreciation generally using the straight-line method or, for companies in Germany, also the declining balance method. Depreciation is taken on residential, office and factory buildings for a maximum of 50 years, on technical equipment and machinery for a maximum of ten years, and on other equipment and plant and office equipment, in general, over five years. Equipment leased to customers is depreciated over periods not exceeding five years. Additional depreciation is taken where a write-down in book value is deemed necessary. Minor fixed assets are fully expensed in the year of acquisition.

Investments in major associated companies are accounted for under the equity method. Interests in nonconsolidated subsidiaries and other associated and related companies are valued at the lower of cost or fair value. Long-term loans bearing nominal or no interest are stated at their discounted cash value.

Inventories are carried at the lower of acquisition or production cost or market value. Production cost includes reasonable portions of material and production overheads. We use the LIFO method for certain inventories. A reasonable and sufficient allowance is made for declines in value due to slow-moving items, technical obsolescence and reductions in fair value.

Receivables with current maturities of more than one year which bear nominal or no interest have been discounted. Reasonable and sufficient allowances are made for credit risks.

Marketable securities and notes are stated at the lower of cost or market. In Germany, lower valuations are retained if permissible under the tax laws.

The accruals for pension plans in Germany are set up according to actuarial principles on the basis of a method provided for in the German Income Tax Act, using an assumed rate of interest of 6%. Foreign subsidiaries establish accruals for pension plans, as required, according to comparable actuarial principles using local interest rates. The other accrued liabilities include reasonable and sufficient allowance for all perceivable risks.

Anticipated losses on derivative financial instruments at the balance sheet date are covered by accruals in the amount of the negative market values.

Deferred taxes are recorded following the liability method. These taxes are based on the temporary differences existing between the amounts of assets and liabilities of the consolidated companies for financial reporting purposes and such amounts for tax purposes, as well as the temporary differences resulting from consolidation entries. A net deferred tax asset balance resulting from temporary differences in the earnings of the consolidated companies will not be recorded.

Certain items on the consolidated balance sheet and in the consolidated statement of income have been combined. These items are shown separately in the Notes to consolidated financial statements (Notes).

The consolidated financial statements are denominated in millions of German marks (DM).

(5) Statement of cash flows

In line with international reporting practice, the flow of funds in the consolidated statement of cash flows is classified into three categories: operating activities, investing activities, and financing activities. The financial resources shown represent the Company's liquid funds, i.e. marketable securities, notes, and other liquid assets. The effects resulting from changes in the number of consolidated companies have been eliminated from the relevant items of the three categories. The same applies to exchange rate related adjustments in value, which are shown separately as impact of exchange rate fluctuations on liquid assets.

(6) Intangible assets and property, plant and equipment

(in millions of DM)	9/30/93	Translation-adjustment	Additions	Reclassifications	Retirements	9/30/94	Accumulated-depreciation/amortization	Net value as of 9/30/94	Net value as of 9/30/93	Depreciation/amortization during the fiscal year
Intangible assets										
Patents, licenses and similar rights	582	(25)	273	-	207	623	380	243	214	176
Goodwill	79	(20)	342	-	14	387	38	349	63	35
	661	(45)	615	-	221	1,010	418	592	277	211

Property, plant and equipment

Land, equivalent rights to real property, and buildings, including buildings on land not owned	13,522	29	868	372	534	14,257	5,657	8,600	8,275	535
Technical equipment and machinery	12,610	31	1,331	528	737	13,763	9,968	3,795	3,365	1,199
Other equipment, plant and office equipment	15,784	141	2,021	275	1,779	16,442	13,112	3,330	3,407	2,101
Equipment leased to customers	2,759	(7)	583	7	567	2,775	1,983	792	794	461
Advances to suppliers and construction in progress	1,099	(15)	1,004	(1,182)	9	897	17	880	1,078	1
	45,774	179	5,807	-	3,626	48,134	30,737	17,397	16,919	4,297

The translation adjustment column shows the adjustments of accumulated acquisition or production cost to the prevailing

year-end current rate for the consolidated companies outside Germany

(7) Investments

(in millions of DM)	9/30/93	Translation-adjustment	Additions	Reclassifications	Retirements	9/30/94	Accumulated write-downs	Accumulated equity adjustment	Net value as of 9/30/94	Net value as of 9/30/93
Interests in subsidiaries	1,500	7	614	233	985	1,369	144	(19)	1,206	1,368
Interests in associated companies	2,388	(7)	137	15	14	2,519	-	(1,086)	1,433	1,274
Miscellaneous investments	1,339	2	389	(248)	415	1,067	247	-	820	1,084

The additions to interests in subsidiaries relate predominantly to acquisitions and the formation of new companies. Retirements resulted primarily from initial consolidations.

Miscellaneous investments include interests in other companies as well as long-term loans. The retirements are primarily accounted for by loans made to OSRAM SYLVANIA, which has now been consolidated.

Consolidated financial statements

Notes

Write-downs of DM20 million on interests in subsidiaries and of DM10 million on miscellaneous investments were made during the fiscal year.

(8) Inventories

(in millions of DM)	9/30/94	9/30/93
Materials and supplies	2,779	2,402
Work in process	4,428	4,348
Finished products and merchandise	4,522	4,741
Cost of unbilled contracts	12,814	12,049
Advances to suppliers	1,886	1,547
	26,429	25,087

(9) Receivables and miscellaneous assets

(in millions of DM)	9/30/94	Due after one year	9/30/93	Due after one year
Accounts receivable — trade	15,123	1,244	14,713	1,199
Other receivables and miscellaneous assets				
Receivables from nonconsolidated subsidiaries	2,169	117	2,352	696
Receivables from associated and related companies	3,293	1,071	3,464	1,492
Miscellaneous assets	7,058	731	6,924	922
	12,520	1,919	12,740	3,110
	27,643	3,163	27,453	4,309

Miscellaneous assets include DM269 (1993: DM380) million in net deferred tax receivables derived from consolidation entries. In addition, miscellaneous assets include interests in subsidiaries in the amount of DM855 (1993: DM1,249) million, which were acquired exclusively as financial investments, as well as a substantial amount of accrued interest income.

(10) Marketable securities and notes

(in millions of DM)	9/30/94	9/30/93
Treasury stock	26	45
Stock certificates	928	1,385
Fixed-income securities	1,495	7,438
Fund shares	18,687	8,424
Notes	113	941
	21,249	18,333

In fiscal 1994, Siemens AG purchased 270,329 shares of common stock, with a total par value of DM14 million, or 0.5% of the capital stock, at an average price of DM717.70 per share in order to offer them to employees for purchase. Including the 113,876 shares of treasury stock held at the beginning of the fiscal year, 315,722 shares, with a total par value of DM16 million, or 0.6% of the capital stock, were sold to employees at a preferential price of DM390 per share. At the close of the fiscal year, 68,483 shares of common stock, having a total par value of DM3 million, or 0.1% of the capital stock, remained in treasury. They are valued at DM376.50 per share.

The market value of the marketable securities and notes exceeds their book value by DM973 million.

For tax reasons, write-downs of DM7 million made in prior years were not reversed in fiscal 1994, although the market price of such securities increased during the year. This reduced net income in fiscal 1994 by DM3 million.

(11) Development of shareholders' equity

September 30, 1993 (in millions of DM)	20,526
Capital increases of Siemens AG	6
Transfers to retained earnings from net income of fiscal 1994	1,045
Retirement of goodwill	163
Other changes in retained earnings	(33)
Payment of prior year's dividend by Siemens AG	(728)
Unappropriated consolidated net income of fiscal 1994	728
Change in minority interest	51
Change in translation adjustment	52

(12) Capital stock and additional paid-in capital

The capital stock of Siemens AG amounts to DM2,799 million and is divided into 55,059,206 common shares and 923,634 preferred shares, each with a par value of DM50. Each share is entitled to one vote. Under conditions set forth in §23 of the Articles of Association, preferred stock is entitled to six votes per share in a second vote that may be demanded by the holders of preferred stock.

During the fiscal year, capital stock increased by a total of DM0.4 million through the issuance of 8,781 common shares from the other authorized capital as a result of the settlement offered to former shareholders of Siemens Nixdorf Informationssysteme AG (SNI AG), Paderborn. The premium of DM5.6 million was recorded as additional paid-in capital.

The authorized capital of Siemens AG remained unchanged at DM800 million. On March 28, 1991, the Annual Shareholders' Meeting authorized the Managing Board to issue DM500 million in new shares with subscription rights for shareholders as well as for holders of stock warrants (authorized capital I). A lawsuit brought by a shareholder contesting this resolution was dismissed by the competent courts. The German Federal High Court of Justice did not accept the appeal lodged by the plaintiff on the grounds that the case was of no fundamental importance and, in addition, the appeal had ultimately no prospect of success. The same shareholder also brought a lawsuit contesting the resolution by the Annual Shareholders' Meeting on March 28, 1991 authorizing the Managing Board to issue DM300 million in new shares for which the subscription right of shareholders is excluded (authorized capital II). This complaint was affirmed by the competent courts. The appeal lodged by the Company against this order was accepted by the Federal High Court of Justice for final resolution of the case.

The other authorized capital amounts to DM162 (1993: DM163) million. Of this amount, DM150 million is reserved to secure the rights to purchase common shares of Siemens AG under the warrants attached to the 8% U.S. dollar bonds of 1992/2002 issued by Siemens Capital Corporation, Wilmington, Delaware. The stock warrants grant option rights for a total of 3,000,000 common shares, which may be exercised until June 2, 1998. The option period is automatically extended for periods of one year terms — but not more than two years — if the market price of the Siemens share is less than the option price at the end of the option period. The option price is DM693. The other authorized capital of DM4 million provides for the settlement offered to former shareholders of SNI AG who have not tendered their shares of SNI AG by September 30, 1994 under the settlement offered by Siemens AG pursuant to §320 par. 5, German Corporation Act. The remaining other authorized capital of DM8 million secures the rights to purchase common shares of Siemens AG that were granted to the holders of the Nixdorf 1989/97 convertible loans following the integration of SNI AG into Siemens AG.

(13) Retained earnings

Retained earnings include a reserve for treasury stock in the amount of DM26 (1993: DM45) million. The reserve was reduced by DM19 million through transfers to other retained earnings.

After deducting the treasury stock reserve, other retained earnings amounted to DM9,102 (1993: DM7,908) million. We transferred DM1,045 (1993: DM1,082) million to other retained earnings from the consolidated net income of DM1,993 (1993: DM1,982) million. Other retained earnings include DM382 million of special reserves pursuant to §17 of the German DM Opening Balance Sheet Act (DMBiG) which remained after offsetting such reserves against special loss accounts.

(14) Minority interest

Minority interest represents the minority shareholders' proportionate share of the equity of consolidated subsidiaries, primarily Siemens AG Österreich, Vienna, Siemens-Albis AG, Zurich, Siemens Ltd., Johannesburg, and Siemens Stromberg-Carlson, Boca Raton, Florida.

(15) Accrued liabilities

The accruals for pension plans at Siemens AG and its domestic subsidiaries provide for the contractual retirement benefits of our employees and retirees. Retirement benefit corporations in Germany provide for 20% of Siemens AG's pension obligations to employees subject to collective bargaining agreements and to their surviving dependents. In addition, accruals are established for the retirement benefits of the employees and retirees of our foreign subsidiaries, unless the obligations are covered by pension funds. The existing pension commitments of the independent retirement benefit corporations and pension funds amount to DM4,332 (1993: DM3,816) million and are covered by these organizations' assets of DM5,370 (1993: DM4,768) million. Moreover, the accruals for pension plans include the obligations of our U.S. subsidiaries to provide post-retirement benefits other than pension for active and retired employees. During 1994, exceptional contributions applicable to the fiscal year were made to the accruals for pension plans in Germany to account for the prospective commitment to raise future retirement benefits.

Other accrued liabilities include DM2,099 (1993: DM2,392) million in provisions for taxes. Also recorded here are accruals for deferred taxes of DM91 (1993: DM404) million based on the temporary differences between the financial reporting basis and the tax basis of the consolidated companies' assets and liabilities. In addition, this item includes primarily of accruals for personnel costs, warranty obligations, anticipated losses on contracts, and penalties for contract performance delays.

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(16) Debt and other liabilities

(in millions of DM)	9/30/94	Due within one year	9/30/93	Due within one year
Debt				
Bonds	1,199	-	2,447	614
Loans from banks	1,569	1,280	1,764	1,459
Notes and other loans	1,750	1,573	434	235

Bonds (in millions)	Foreign currency	DM
Siemens Capital Corporation, Wilmington, Delaware 8 1/2% 1992/2002 U.S. dollar bonds	US\$ 625	990
Siemens Western Finance N.V., Willemstad, Curaçao 1986/2001 U.S. dollar zero coupon bonds with warrants	US\$ 128	209
		1,199

The bonds issued by Siemens Capital Corporation, Wilmington, Delaware, were reduced by US\$375 million due to the redemption of individual bonds that were held by the company.

(in millions of DM)	9/30/94	Due within one year	9/30/93	Due within one year
Other liabilities				
Accounts payable — trade	6,480	6,288	5,964	5,725
Additional liabilities				
Liabilities to nonconsolidated subsidiaries	434	429	422	391
Liabilities to associated and related companies	549	432	508	409
Miscellaneous liabilities	6,323	5,636	6,594	5,997
	7,306	6,547	7,524	6,797

Tax liabilities totaling DM911 (1993: DM1,284) million are included in miscellaneous liabilities. Furthermore, this item contains liabilities amounting to DM993 (1993: DM1,031)

million mandated by the social security program, which consist of outstanding statutory social welfare contributions and statutory retirement benefit obligations in foreign countries.

We have furnished security for debt and other liabilities totaling DM209 (1993: DM249) million. Debt in the amount of DM54 (1993: DM123) million, primarily outside Germany, is secured by mortgages. In Germany, debt in the amount of DM18 million is secured by claims under a Hermes export credit guaranty. In some countries, we have executed promissory notes and pledged securities, in conformity with local practice, to secure our debt.

Debt and other liabilities with a remaining term of more than five years totaled DM1,608 (1993: DM2,302) million.

(17) Net sales

Net sales include our income from leasing and license agreements. A breakdown of net sales by business and geographic segments is given on page 57.

(18) Functional costs

Cost of sales, research and development expenses, marketing and selling expenses, and general administration expenses do not include charges for restructuring and the closing of facilities. These charges are recorded under a separate heading in the statement of income. In order to facilitate comparability with the prior year, cost of sales for fiscal 1993 was reduced by DM1,042 million, research and development expenses by DM92 million, and marketing and selling expenses by DM740 million.

Government subsidies in the amount of DM196 (1993: DM190) million were offset against research and development expenses.

(19) Other operating income

Other operating income includes, in particular, foreign exchange gains and gains on the sale of real property.

(20) Other operating expenses

Other operating expenses include essentially foreign exchange losses, exceptional contributions made to the accruals for pension plans, and the amortization of intangible assets resulting from acquisitions.

(21) Restructuring provisions and expenses

This item includes employee related costs for early retirement and termination plans including associated accruals, non-scheduled write-downs, gains and losses on the retirement of property, plant, equipment, and inventories, and accrued liabilities established in connection with the discontinuance of operations or the closing of facilities.

DM2,299 (1993: DM1,850) million of the aggregate amount are accounted for by employee related costs.

Also included are accruals and nonscheduled write-downs related to the decommissioning of the aging facility for the production of mixed oxide fuel elements as well as of part of the uranium processing facility at the Hanau location.

(22) Net income from investment in other companies

(in millions of DM)	1994	1993
Income from investment in other companies	84	119
Income under profit-and-loss transfer agreements	51	31
Share in earnings resulting from equity consolidation	268	223
Losses absorbed under profit-and-loss transfer agreements	(14)	(251)

Income from investment in other companies includes DM38 (1993: DM41) million in income from subsidiaries.

Earnings resulting from equity consolidation consist primarily of our share in the earnings of Bosch-Siemens Hausgeräte GmbH, Munich; GPT Holdings Ltd., London; and Equitel S.A., Curitiba.

Losses absorbed in fiscal 1993 under profit-and-loss transfer agreements included charges relating to restructuring measures at companies in Germany and in other countries.

(23) Net interest income

(in millions of DM)	1994	1993
Interest and similar income	3,025	2,747
Attributable to subsidiaries	(180)	(176)
Less — Interest and similar expenses	(1,210)	(840)
Attributable to subsidiaries	(39)	(36)
Interest cost component of allocation to pension accruals	(950)	(888)

(24) Other financial gains

(in millions of DM)	1994	1993
Other financial gains	1,339	1,359
Other financial losses	(930)	(517)
Write-downs on investments and on marketable securities and notes	(362)	(128)

The items other financial gains and other financial losses include gains or losses resulting from the retirement of investments in other companies. In addition, this item includes gains or losses resulting from the retirement of marketable securities and notes.

Of total other financial gains or losses, gains of DM123 (1993: DM727) million are accounted for by financing activities and losses of DM76 (1993: DM13) million are due to investments in other companies.

(25) Income taxes

(in millions of DM)	1994	1993
Income tax expense		
Domestic	94	371
Foreign	542	447
	636	818
Deferred taxes	(175)	112
Taxes on income from continuing operations	461	930
Income taxes on extraordinary gain	29	-

Income tax expense includes German corporate income and local income 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.

Income tax expense in Germany decreased due to the lower taxable income.

(26) Extraordinary gain

The extraordinary gain relates to the disposition, at September 30, 1994, of the pacemaker activities, primarily in the U.S. and Sweden, at a selling price of DM792 million. This sale resulted in a gain of DM373 million, which is shown net of DM29 million in income taxes in the statement of income.

The income and expenses of the pacemaker activities until their disposition on September 30, 1994 are included in income from continuing operations.

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(27) Personnel costs

(in millions of DM)	1994	1993
Wages and salaries	28,505	28,443
Statutory social welfare contributions and expense related to employee benefits	4,698	4,546
Expense for pension plans	2,796	2,258

The expense for pension plans was reduced by the interest cost component in the addition to accrued pension liabilities in the amount of DM950 (1993: DM888) million. This amount is classified as expense under net interest income.

The average number of employees in fiscal 1994 was 393,900 (1993: 403,800), they were engaged in the following activities

	1994	1993
Manufacturing	159,600	158,900
Sales and marketing	135,900	144,800
Research and development	48,100	48,100
Administration and general services	50,300	52,000

(28) Other taxes

Other taxes not based on income in the amount of DM359 (1993: DM416) million are included under functional costs.

(29) Remuneration of the Supervisory Board and the Managing Board, and loans granted

Provided that shareholders approve the proposed dividend at their Annual Shareholders' Meeting on February 23, 1995, the amount authorized to be paid for the fiscal year will be DM11 (1993: DM11) million for the Supervisory Board, DM17.2 (1993: DM19.1) million for the Managing Board, and DM20.5 (1993: DM22.1) million for former members of the Managing Board and their surviving dependents. Pension commitments to former members of the Managing Board and their surviving dependents are covered by an accrual of DM153.1 (1993: DM144.5) million.

Loans to members of the Managing Board totaled DM2.2 (1993: DM2.3) million (repaid in 1994: DM0.3 million). These loans bear interest of up to 6% and have contractual terms of up to 12 years.

The members of the Managing and Supervisory Boards of Siemens AG are listed on pages 42 and 43.

(30) Guarantees and other commitments

(in millions of DM)	9/30/94	9/30/93
Contingent liabilities on notes	305	204
Guarantees	194	61
Warranties	1,601	1,680
included therein to subsidiaries	(4)	-
Collateral for third party liabilities	1	4

(31) Leasing agreements

At September 30, 1994, we had payment obligations under real estate property leases and under long-term lease agreements for movable assets and real property with an aggregate discounted value of DM3,488 (1993: DM2,055) million, including DM75 million to nonconsolidated subsidiaries. Under the terms of the leases, the agreements do not convey the ownership rights to the leased properties. Therefore, they are not capitalized in the consolidated financial statements.

Total future payment obligations under noncancelable leases over the next fiscal years are as follows (in millions of DM):

1995	1996	1997	1998	1999	later
323	308	283	266	262	2,046

The total rental expense in fiscal 1994 amounted to DM324 (1993: DM299) million.

(32) Derivative financial instruments

Currency and interest rate exposure caused by our operational business as well as investment and other financing activities are being hedged through both listed and over-the-counter (OTC) derivative financial instruments.

(in millions of DM)	Notional amount		Fair value	
	9/30/94	9/30/93	9/30/94	9/30/93
Forward foreign exchange contracts	15,292	14,915	146	138
Interest rate and combined interest rate/currency swaps	2,878	4,350	(45)	120
Options	2,564	9,899	(30)	(50)
Other forward contracts	5,041	7,450	-	(3)

The notional amount is the sum of all purchases and sales. The fair value of such financial instruments is based on available quoted market prices or derived from such prices.

Our credit exposure under derivative financial instruments amounted to DM325 million. To limit this credit risk we are dealing exclusively with creditworthy domestic and foreign banks and are increasingly using master netting agreements.

(33) Other financial obligations

We are committed to making capital contributions of DM19 (1993: DM20) million to other companies, including DM15 (1993: DM8) million to subsidiaries. We are liable for contributions in the amount of DM728 (1993: DM629) million that were not fully paid in, including DM716 (1993: DM617) million to nonconsolidated subsidiaries, as limited partners pursuant to §171 of the German Commercial Code.

We are jointly and severally liable and have capital contribution obligations as a partner in companies formed under the German Civil Code, through which we have concluded profit-and-loss transfer agreements with other companies, as partners in general partnerships and in a European Economic Community of Interests (EECI), as a former member of residential building cooperatives, and as a participant in various joint activities.

(34) Segment information

Sales of the domestic and foreign subsidiaries are assigned to the Group that has the worldwide responsibility for that business activity. Related activities have been combined into business segments in the table below.

Net sales by business segment (in millions of DM)	1994	1993
Energy	13,193	14,643
Industry	21,437	20,849
Communications	20,738	21,402
Information systems	11,669	11,922
Transportation	7,317	6,160
Medical systems	7,548	7,905
Components	5,750	4,675
Lighting	5,442	2,990
Other	1,227	1,061
Less — Intersegment shipments	(9,723)	(9,959)
	64,338	61,648

Siemens does an extensive international business. Fifty-eight percent of total sales are made to customers outside Germany. A geographic breakdown of sales by customer location is shown on page 9.

A regional breakdown of the net sales of Siemens AG and its domestic and foreign subsidiaries is shown in the table below.

Net sales by geographic segment (in millions of DM)	1994	1993
Germany	59,438	59,206
Attributable to exports	(23,667)	(21,935)
Europe (excluding Germany)	23,093	22,727
America	15,027	12,061
Asia-Pacific	4,179	3,546
Other	798	704
Less — Intersegment shipments	(17,937)	(16,596)
	61,531	59,709

Berlin and Munich, December 2, 1994

Siemens Aktiengesellschaft

The Managing Board

The consolidated financial statements, which we have audited in accordance with professional standards, comply with the German legal provisions. With due regard to the generally accepted accounting principles, the consolidated financial statements present a true and fair view of the Siemens group's assets, liabilities, financial position and earnings. The general review of the Managing Board is consistent with the consolidated financial statements.

Munich, December 7, 1994

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Lanfermann Dr. Hoyos
Wirtschaftsprüfer Wirtschaftsprüfer
(independent auditors)

Principal subsidiaries and associated companies

	Sales ¹⁾ (DM million)	Earnings ¹⁾ (DM million)	Shareholders' equity ¹⁾ (DM million)	Siemens' share (%)
I. Subsidiaries				
Germany				
Siemens Nixdorf Informationssysteme AG, Paderborn	4,402.8	251.3	2,163.5	100
Osram GmbH, Berlin and Munich	1,894.6	147.5	1,443.3	100
Vacuumschmelze GmbH, Hanau	378.0	5.8	101.8	100
Duewag AG, Krefeld-Uerdingen	726.8	16.2	83.5	97
Siemens Matsushita Components GmbH & Co. KG, Munich	655.7	53.7	102.1	50
Europe				
Siemens S.A., Saint-Gilles (Brussels)	1,214.5	43.2	431.5	100
Siemens A/S, Ballerup (Copenhagen)	322.6	8.1	83.7	100
Siemens Osakeyhtiö, Espoo (Helsinki)	239.6	12.9	49.1	100
Siemens S.A., Saint-Denis (Paris)	699.1	22.3	70.4	100
Siemens A.E., Elektrotechnische Projekte und Erzeugnisse, Athens	186.0	8.7	56.7	100
Siemens plc, Bracknell (London) ²⁾	1,423.9	37.4	390.3	100
Siemens Ltd., Dublin	139.7	0.7	5.8	100
Siemens S.p.A., Milan	1,285.3	2.4	127.3	100
Siemens Nederland N.V., The Hague	1,051.8	29.2	267.5	100
Siemens A/S, Oslo ³⁾	625.1	10.9	164.8	100
Siemens AG Österreich, Vienna ⁴⁾	3,226.5	125.8	413.5	74
Siemens S.A., Lisbon	559.3	39.7	215.8	100
Siemens AB, Stockholm	397.6	1.9	17.4	100
Siemens Albis AG, Zurich ⁵⁾	1,451.6	38.5	330.7	78
Siemens S.A., Madrid	670.9	3.6	122.5	100
Simko Ticaret ve Sanayi A.Ş., Istanbul	404.4	6.5	25.3	51
Siemens Nixdorf Information Systems S.A./N.V., Brussels	429.7	9.7	158.0	100
Siemens Nixdorf Information Systems S.A., Cergy (Paris) ³⁾	491.1	(94.2)	92.7	100
Siemens Nixdorf Information Systems Ltd., Bracknell (London)	400.1	0.3	31.1	100
Siemens Nixdorf Informatica S.p.A., Milan	404.2	(6.4)	55.9	51
Siemens Nixdorf Informatiesystemen B.V., Zoetermeer/Netherlands	184.0	14.7	64.1	100
Siemens Nixdorf Informationssysteme Ges.m.b.H., Vienna	361.9	(0.1)	78.0	100
Siemens Nixdorf Informationssysteme AG, Kloten (Zurich)	249.5	(22.0)	27.1	100
Siemens Nixdorf Sistemas de Información S.A., Tres Cantos (Madrid)	191.3	(14.3)	50.3	100
Osram S.A., Molsheim/France	268.4	6.3	58.5	100
Osram Ltd., Wembley (London)	182.3	(7.8)	46.6	100
Osram Società Riunite Osram Edison-Clerici S.p.A., Milan	368.0	(3.4)	64.9	100

These figures comply with the financial statements prepared in accordance with the specific generally accepted accounting principles in each country and do not reflect the amounts included in the consolidated financial statements. Shareholders' equity and earnings are translated at the year-end current rate, and sales are translated at the average rate for the year.

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

³⁾ Sales, shareholders' equity and earnings according to the consolidated financial statements

⁴⁾ Including extraordinary gain of DM339.5 million from the sale of the pacemaker activities

⁵⁾ Not a subsidiary pursuant to §290 of the German Commercial Code

	Sales ¹⁾ (DM million)	Earnings ²⁾ (DM million)	Shareholders' equity ³⁾ (DM million)	Siemens' share (%)
America				
Siemens U.S. (consolidated financial statements)	11,806.4	13.6*	1,972.1	100
including Siemens Automotive Corporation, Newport News/VA				
Siemens Communication Systems, Inc., Boca Raton/FL				
Siemens Components, Inc., Iselin/NJ				
Siemens Energy & Automation, Inc., Atlanta/GA				
Siemens Industrial Automation, Inc., Atlanta/GA				
Siemens Medical Systems, Inc., Iselin/NJ				
Siemens Power Corporation, Bellevue/WA				
Siemens Roim Communications, Inc., Santa Clara/CA				
Siemens Transportation Systems, Inc., New York/NY				
Siemens Nixdorf Information Systems, Inc., Burlington/MA				
OSRAM SYLVANIA INC., Danvers/MA				
Siemens Electric Ltd., Mississauga (Ontario)	968.4	4.1	162.0	100
Siemens S.A. de C.V., Mexico City	277.3	3.9	133.1	100
Osrani S.A. de C.V., Tultitlan/Mexico	65.2	1.4	35.8	100
Siemens S.A., Buenos Aires	580.8	34.0	98.9	100
Siemens S.A., São Paulo ⁴⁾	584.6	45.7	423.3	82
Siemens S.A., Bogotá	101.1	9.4	57.5	94
Siemens S.A., Caracas	46.3	(27.0)	1.6	100
Osrani Argentina S.A.C.I., Buenos Aires	89.3	0.4	37.6	66
Osrani do Brasil Companhia de Lâmpadas Elétricas S.A., Osasco	131.7	15.2	54.0	100
Asia-Pacific				
Siemens Ltd., Richmond (Melbourne)	344.0	(18.7)	45.0	100
Siemens Ltd., Bombay	346.6	13.7	131.9	51
Siemens K.K., Tokyo	297.8	5.5	53.4	83
Siemens Components (Advanced Technology) Sdn. Bhd., Malacca/Malaysia ⁵⁾	608.4	2.7	89.8	100
Siemens Pakistan Engineering Co. Ltd., Karachi	112.3	5.3	21.3	64
Siemens Components (Pte) Ltd., Singapore	1,009.8	21.5	156.6	100
Siemens Telecommunication Systems Ltd., Taipei ⁶⁾	313.1	41.7	223.5	60
Osrani-Melco Ltd., Yokohama	222.6	1.8	75.3	51
Other				
Siemens Ltd., Johannesburg ⁷⁾	968.0	41.7	159.8	52
II. Associated companies				
Germany				
Bosch-Siemens Hausgeräte GmbH, Munich	5,566.1	116.1	826.0	50
Linotype-Hell AG, Eschborn	675.9	(142.9)	298.9	33
Tela Versicherung Aktiengesellschaft, Berlin and Munich	456.6	16.7	300.5	50
International				
GPT Holdings Ltd., London ⁸⁾	2,623.2	215.9	1,016.4	40
Siecor Corporation, Hickory/NC ⁹⁾	799.2	29.5	222.9	50
Equitel S.A. Equipamentos e Sistemas de Telecomunicações, Curitiba/Brazil	273.4	39.1	211.1	80 ¹⁰⁾

Amounts in millions of DM
unless stated otherwise

New orders	1994	1993	1992	1991	1990
German business	35,100	37,830	40,174	36,746	28,432
International business	53,271	46,306	45,235	45,420	39,312
Siemens					
Change over prior year	+5%	-1%	+4%	+21%	+8%

Sales	1994	1993	1992	1991	1990
German business	35,771	37,271	36,475	33,263	28,352
International business	48,827	44,377	42,034	39,745	34,833
Siemens					
Change over prior year	+4%	+4%	+8%	+16%	+3%

Employees** (in thousands)	Sept. 30,	1994	1993	1992	1991	1990
German operations		222	238	253	243	230
International operations		160	153	160	159	143
Siemens						

Capital spending	1994	1993	1992	1991	1990
in Germany	2,649	2,909	5,861	3,332	3,882
International	3,072	3,765	2,713	2,263	3,184
Siemens					
Acquisition of investments	1,188	1,881	3,014	592	2,675
Capital expenditures	4,533	4,793	5,560	5,003	4,391
Depreciation of fixed assets	4,473	4,560	4,613	4,400	3,975
as a percent of capital expenditures	99%	95%	83%	88%	91%

Siemens AG
Balance sheet
and statement of income
(in billions of DM (condensed version))

	1994	1993
Net sales	55.5	55.4
Cost of sales	(41.4)	(40.7)
Gross profit (loss)		
Other functional costs	(15.3)	(15.3)
Other income/expenses	2.1	1.8
Income before income taxes		
Income taxes	(0.1)	(0.2)
Net income		

	1994	1993
as of September 30,		
Fixed assets	6.0	6.5
Investments	20.1	19.4
Current assets		
Inventories	1.0	2.0
Receivables	20.6	21.1
Securities, liquid assets	11.3	9.2
Liabilities and equity		
Shareholders' equity	20.4	20.2
Accrued liabilities and special reserves	29.4	28.1
Debt	0.6	0.5
Other liabilities	8.6	9.4
Total		

Siemens financial diary for 1995

Interim report for 1994/95
Annual Shareholders' Meeting
Ex-dividend market price
Interim report for six months
Summer Press Conference and
interim report for nine months
Preliminary figures for fiscal year
Balance Sheet Press Conference

Annual Shareholders' Meeting
February 23, 1995, 10 a.m.
Olympiahalle, Munich

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This edition of our annual report,
prepared for the convenience
of our English-speaking readers,
is based on the German original.
French and Spanish versions
are also available, as well as an
abbreviated version in Japanese.

Order No. A19100 F-A490 7600

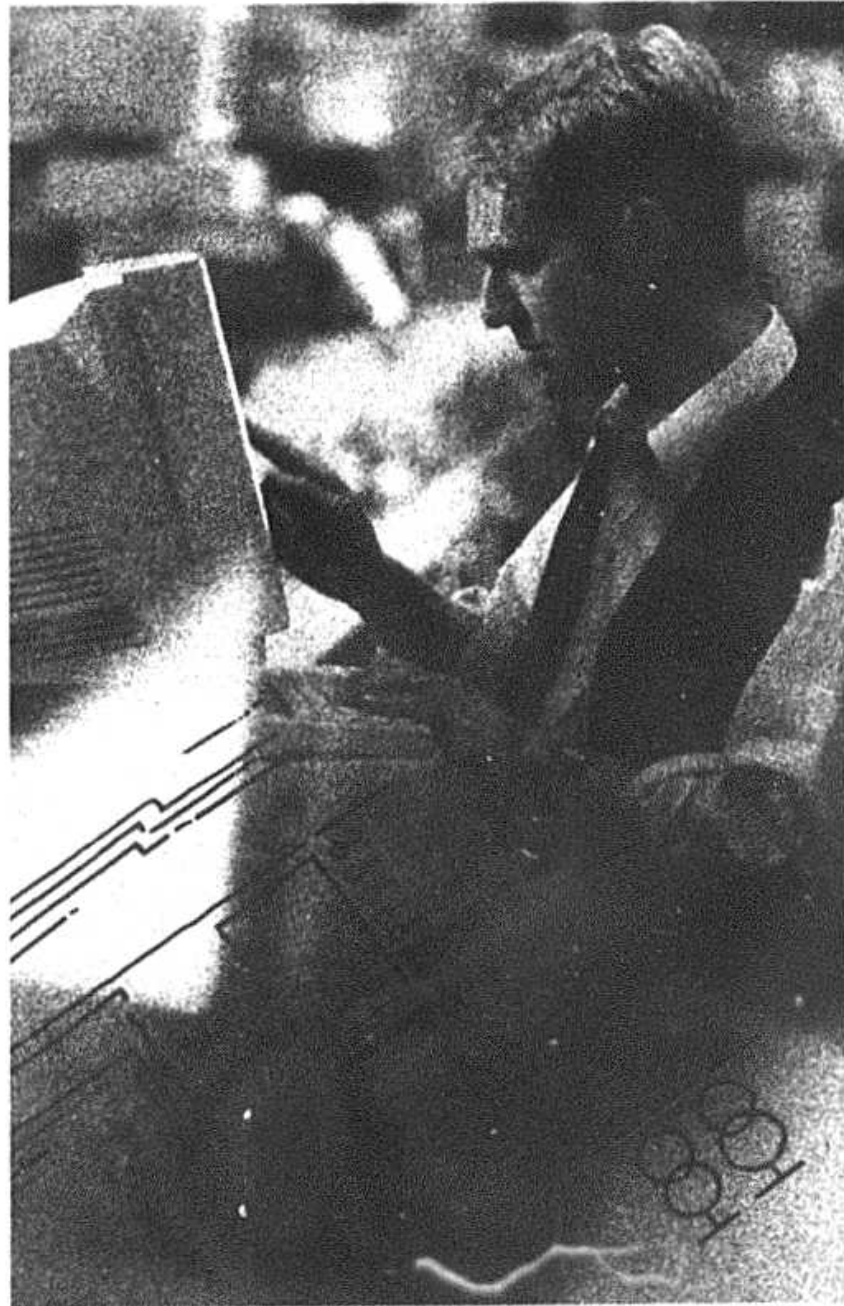
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SIEMENS

Annual Report '95



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Siemens at a glance

Siemens	1995	1994	Change
New orders	91,000	88,371	+ 4%
Sales	88,763	84,598	+ 5%
Employees	373,000	376,000	- 1%
Capital expenditures and investments	2,465	5,721	+ 30%
Research and development	2,274	7,508	- 3%
Net income (as a percent of sales)	2,084 (2.3)	1,649 (1.9)	+ 26%
Net income including extraordinary gain (as a percent of shareholders' equity)	2,084 (9.4)	1,993 (9.4)	+ 5%
Total dividend of Siemens AG	728	728	
Dividend per share in DM	13.00	13.00	

Amounts in millions of German marks (DM) unless stated otherwise

2 Report of the Supervisory Board

Perhaps as never before in its 150-year history, Siemens faces new and fundamental changes in its business environment. National markets in the developed world have initiated programs of deregulation and liberalization which will permanently alter traditional purchasing approaches. In production, Central and Eastern Europe have emerged as low-cost alternatives, while Southeast Asian markets have merged high-tech skills with lower pricing. These developments are occurring against a backdrop of an unrelenting demand for productivity gains,

accelerating innovation in microelectronics, software and engineering, and continuous fluctuations in currency values. At our four regularly scheduled meetings and on numerous other occasions, we discussed with the Managing Board the measures needed to meet these daunting challenges.

Engineering and technological prowess, global market position, comprehensive familiarity with customer and market needs, a solid financial base and 370,000 highly skilled and motivated employees — these are only a few of the key strengths Siemens

possesses for succeeding in this tough business arena. We are confident that the Managing Board is using every tool at its disposal to secure the Company's future global competitiveness.

At our two-day summer meeting in Brussels, we discussed economic, technological and political trends in our European home market, and what consequences these may have for Siemens. We also had opportunities to talk with members of the EU Commission and the European Parliament. In November 1994, shortly after the meeting of our Corporate Executive Committee in Singapore, we reviewed the Company's general commitment to the Asian markets and all its ramifications.

We examined special status reports on the Company's semiconductor activities. After years of closing the technological gap with competitors and implementing extensive restructuring measures, the business is generating solid profits. Positive market trends will require additional substantial investments in this sector. Siemens Nixdorf Informationssysteme AG (SNI) has also made major progress toward recovery. The company has built up a strong base of world-class expertise and professionalism in the field of information technology, a core business for Siemens. We are convinced that SNI is well positioned to overcome further challenges in this difficult industry.

The plant and project-oriented Power Generation (KWU), Power Transmission and Distribution, Industrial and Building Systems and Transportation Systems Groups have been impacted by cost pressure and structural changes in their markets. The Managing Board elucidated the specific measures that have been taken to ensure continuing success in these sectors.



The Presidency of the Supervisory Board directed special attention to the Company's transactions with derivative financial instruments, and was given detailed information by Corporate Finance regarding the rigorous risk controls used in this area.

The Company's accounting procedures, the annual financial statements of Siemens AG and the consolidated financial statements as of September 30, 1995, as well as the Managing Board's combined general review of Siemens AG and Siemens worldwide consolidated, have been audited and approved without qualification by KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt on Main. We also examined the Company's records ourselves. The KPMG reports were presented to all members of the Supervisory Board and thoroughly discussed together with the auditors at the Board's balance sheet meeting. We found no grounds for objection. In view of our approval, the financial statements are definitively confirmed. We endorse the Managing Board's proposal that the net income available for distribution be used to pay a dividend of DM13 per share based on capital stock of DM2.8 billion. We

also approve the proposal that the amount attributable to treasury stock be carried forward.



Dr. Erwin Hardt, member of the Managing Board and, until March 31, 1995, President of the Public Communication Networks Group, retired on September 30, 1995. Peter Pribilla took over the Group presidency effective April 1, 1995. We expressed our appreciation to Dr. Hardt for his long and distinguished service to the Company. Our thanks also go to Karl-Heinz Nolden, who stepped down from the Supervisory Board on September 30, 1995, after many years of dedicated service. He was succeeded by Ms. Bettina Haller on October 1, 1995.

Berlin and Munich, December 13, 1995
For the Supervisory Board

Dr.-Ing. E.h. Hermann Franz
Chairman

4 Letter to our shareholders

Dear shareholder:

We set a clear goal for 1995: erase last year's earnings dip as the first step in attaining a 15% return on equity over the long term.

I am pleased to report that we have met our goal. Despite continuing price pressure and the negative effects of a strong mark, our net income grew to DM2.084 billion, a solid 26% increase over last year's earnings excluding extraordinary gain. In fact, we even surpassed last year's total including its extraordinary gain on the sale of our cardiac pacemaker business.

top's strong impact

This improvement in performance is in large part due to the continuing success of our *top* program. In place since 1993, the initiative is focusing efforts to achieve permanent improvements in earnings through four main thrusts: increasing productivity, speeding innovation, expanding into new geographic and product markets, and fundamentally reshaping our corporate culture.

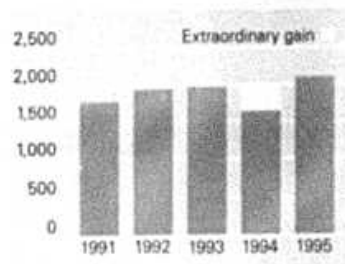
In its first two years alone, the *top* program helped fuel productivity gains and expansion into new markets in a number of impressive ways:

- Total cost productivity gains were almost 15% in the last two fiscal years, representing more than DM12 billion in cost savings. This has enhanced our competitiveness in many crucial businesses.
- We are now solidly positioned for further expansion in the dynamic Asia-Pacific region.

Innovation as a competitive edge

Constant innovation is an absolute must for success in the global electrical engineering and electronics industry. In our drive to sharpen the competitive edge throughout our businesses, we are developing new and more efficient ways to operate. This means picking up the pace of innovation in basic technologies — such as microelectronics — used across all operations; speeding new product generations; and exploiting synergies to meet customer needs. It also means looking closely at every one of our business processes and coming up with new customer solutions, such as innovative services and new operating models.

Net income
(in millions of DM)

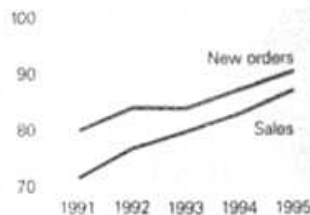


Earnings

Productivity
Innovation
Growth

Corporate culture

New orders and sales
(in billions of DM)



None of the imaginative and successful products, systems and services highlighted in this year's Annual Report were achieved by chance. They were the result of our systematic coordination of technology and product development throughout Siemens, and reflect the total focus of Corporate Research and Development on customer needs.

Only by reshaping the way we think and do business can we accelerate this innovation drive throughout all levels of the Company. Our *top* program focuses on maximizing customer benefit by eliminating needless organizational barriers, giving our people the greatest possible freedom of action, encouraging individual responsibility, nurturing our employees' strengths and motivating them to achieve. We must be ready — and willing — to accept greater challenges and risks as we rigorously pursue global market growth. This will be no easy task. To ensure our success, we've put in place initiatives and programs to keep us fast, flexible and responsive.

Performance-oriented management

Last year for the first time, we reported on earnings down to the level of our consolidated eight business segments and five geographic segments. This year we are going into even greater depth by providing the earnings performance in each of our 17 operating units:

- Groups which in recent years were generating losses have begun to show their strengths. Our components segment recorded excellent earnings for the year, while the Automation and Private Communication Systems Groups, as well as Osram GmbH, made solid contributions. Notably, after four years of heavy losses, Siemens Nixdorf Informationssysteme AG is now in the black.
- Three units posted losses in 1995: the special Network Systems division, which is still in its startup phase, the Power Transmission and Distribution and the Transportation Systems Groups. Other operating units, in particular Power Generation (KWU), Industrial and Building Systems, and Public Communication Networks, faced major changes in their competitive environments and are not generating satisfactory results at present. KWU is also suffering from the politically initiated closing of its fuel element processing plant in Hanau, Germany. Restructuring efforts are underway to ensure that these groups recover their earlier earning power as quickly as possible.

6 Letter to our shareholders

Building a more competitive Siemens

There is no doubt that Siemens has the size, technological prowess and worldwide presence to be a major force in the global electrical engineering and electronics industry. But we know that these attributes alone can lead to complacency, inflexibility and bureaucracy. To win in our fast-paced, fiercely competitive world, we have to combine the benefits of scale with the nimbleness and market responsiveness which typify smaller, leaner organizations. In 1989, we began to transform Siemens by decentralizing operations and creating streamlined vertical businesses. Today most of our approximately 260 business activities are now leaner, more independent units where management rewards are closely tied to how well their individual businesses perform and add to the overall success of Siemens. In short, we are pushing competitive responsibility onto those closest to where the competition is fiercest — confident that their greater agility, market knowledge and customer proximity are the keys to success. Many of these units are already mastering their part of the global competitive field, while others are still improving their fitness and sharpening their skills to meet our ambitious goals.

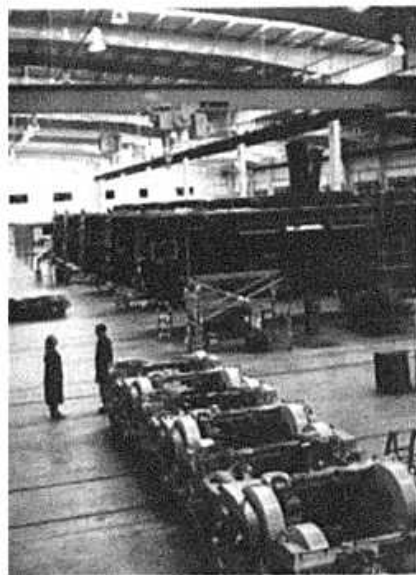
As this effort continues, we are working hard to rebalance our geographic value-added structure and sales profile. At present, nearly 60% of our business is with customers outside Germany — and this percentage is growing. However, roughly two-thirds of our value-adding work is still undertaken in Germany.

1
Market leader in the light rail sector, we produce vehicles in Sacramento, California.

2
Inauguration of our Microelectronics Center in Dresden, Germany, on November 10, 1995.

3
Automated sorting and packing of citrus fruit in Argentina.

4
Production of Hicom phone systems in Shanghai, China.



1



2



3



4

We intend to correct this imbalance by speeding our global market growth, and are confident this should help preserve jobs in Germany.

Fascinating opportunities

Electrical engineering and electronics are among the world's most exciting industries, with virtually unlimited potential for those able to compete successfully. We are determined to grow by seizing entrepreneurial opportunities:

We have the know-how and experience in communications and information technology to help shape tomorrow's multimedia world.

We are pacesetters in power generation and transmission systems which meet and exceed growing environmental demands. In a world of expanding population and limited resources, efficiency is the key element in our solutions for providing energy and lighting in industry and the private sector.

We offer advanced environmental solutions, and the highest levels of safety and comfort in road, rail and air transportation.

- We are making it possible for health care providers worldwide to offer cost-effective state-of-the-art diagnostics and therapy.
- We are expanding our global semiconductor business, and are part of an international alliance on chip technology to prepare for the needs of the next century.

These are ambitious plans — but we are confident that you, our shareholders, will profit from our success.



Heinrich v. Pierer

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

8 General review

In a generally favorable global economic climate, growth in the world's electrical markets remained stable. Although the strong German mark and high wage settlements dampened the economy in Germany, these factors did not yet have an impact on the domestic electrical market. Most markets in Western Europe and in the reforming countries of Central and Eastern Europe also showed an upward swing. Although double-digit growth was again recorded in the U.S., the boom in the electrical market seems to have peaked. While Japan's economy continued to suffer under the powerful yen and the effects of the nation's bank crisis, the Asia-Pacific region, and particularly Southeast Asia, continued to outpace the rest of the world.



As South America's economy recovers, we are taking part in the upswing with numerous investments.

Development of electrical markets

	1995	1994
World	+ 9.5%	+ 8.5%
Europe	+ 6.7%	+ 5.4%
(Germany)	+ 7.5%	+ 5.8%
Americas	+12.6%	+13.5%
(U.S.)	+15.0%	+15.0%
Asia-Pacific	+ 9.7%	+ 8.1%
(Southeast Asia)	+12.6%	+14.0%
Africa, Middle East, C.I.S.	+ 1.8%	- 4.1%

Estimated real growth in percent

Growth on target

Worldwide, sales were up more than 13%. The effects of the strong German mark, however, pared growth by three percentage points, and ongoing price erosion in our world markets cut another five percentage points from the total, leaving a 5% increase to DM88.8 billion. New orders rose 4% to DM91.9 billion.

Sales and orders in our standard products business, which surged throughout the world, were a key factor in this growth. Major project activities, in contrast, fell below the high level recorded in the previous year.

International business sustained

In the international arena, the unwavering German mark and a drop in the volume of major projects depressed growth. Orders edged up 1% to DM53.9 billion, and sales rose 4% to DM50.9 billion. International sales and orders accounted for 57% and 59% of the respective totals.

Growth in Europe

Business expanded in Germany again after a two-year slowdown. Spurred above all by a recovery in our industrial business, orders jumped 8% to DM38.0 billion and sales climbed 6% to DM37.9 billion.

Despite unfavorable currency parties, orders in Western Europe rose to DM23.5 (1994 DM21.7) billion. Substantial growth was recorded in the Benelux and Scandinavian countries.

Reflecting the further stabilization of economic developments in Central and Eastern Europe, orders from the region, including the C.I.S., increased to DM3.3 (1994: DM2.6) billion.

U.S. business up in dollars, down in marks

Our U.S. subsidiaries took advantage of the strong economy to boost sales to US\$7.5 (1994: US\$7.0) billion. Translated into German marks, however, this represented

a decline to DM10.8 (1994: DM11.6) billion.

With over 47,000 employees in the U.S., more than 80% of our business in the country was local content, helping to protect our rapidly expanding U.S. activities from currency fluctuations. Following years of losses in the U.S., we moved into the black in fiscal 1995.

Our business in Mexico was impacted by the country's severe financial crisis. In most other Latin American nations, particularly Argentina and Brazil, we made solid progress.

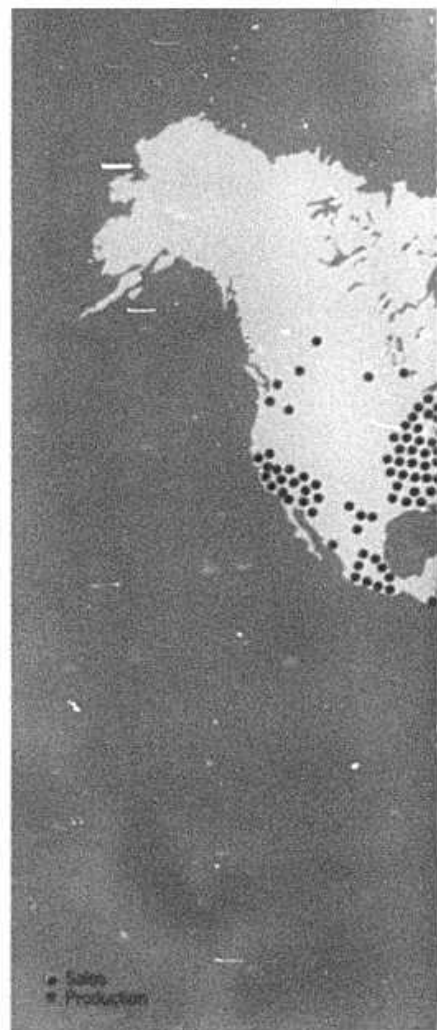
Strategic positioning in Southeast Asia

We further expanded business in the Asia-Pacific region, and sales rose to DM8.6 (1994: DM7.4) billion. Normal fluctuations in the billing of major projects led to a decline in orders to DM8.4 (1994: DM9.7) billion. The region now contributes around 10% of our total business volume.

Markets in Southeast Asia once again showed particularly dynamic growth. Benefiting from higher local content, strategic alliances, cooperations, joint ventures and increasing technology transfers, we are targeting 15-20% annual sales growth in the region.

Solid increase in earnings

Earnings improved significantly, following last year's dip. At DM2.084 billion, net income jumped 26% over the previous year's figure before extraordinary gain, exceeding our original 20% target. We also surpassed last year's total net income of DM1.993

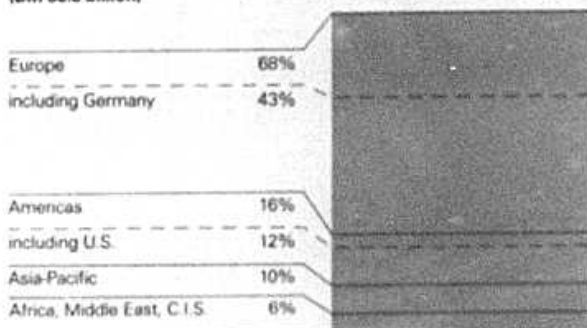
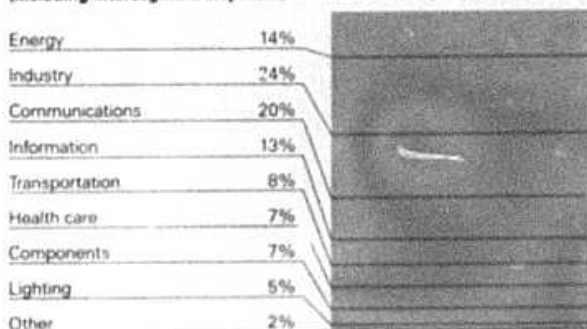


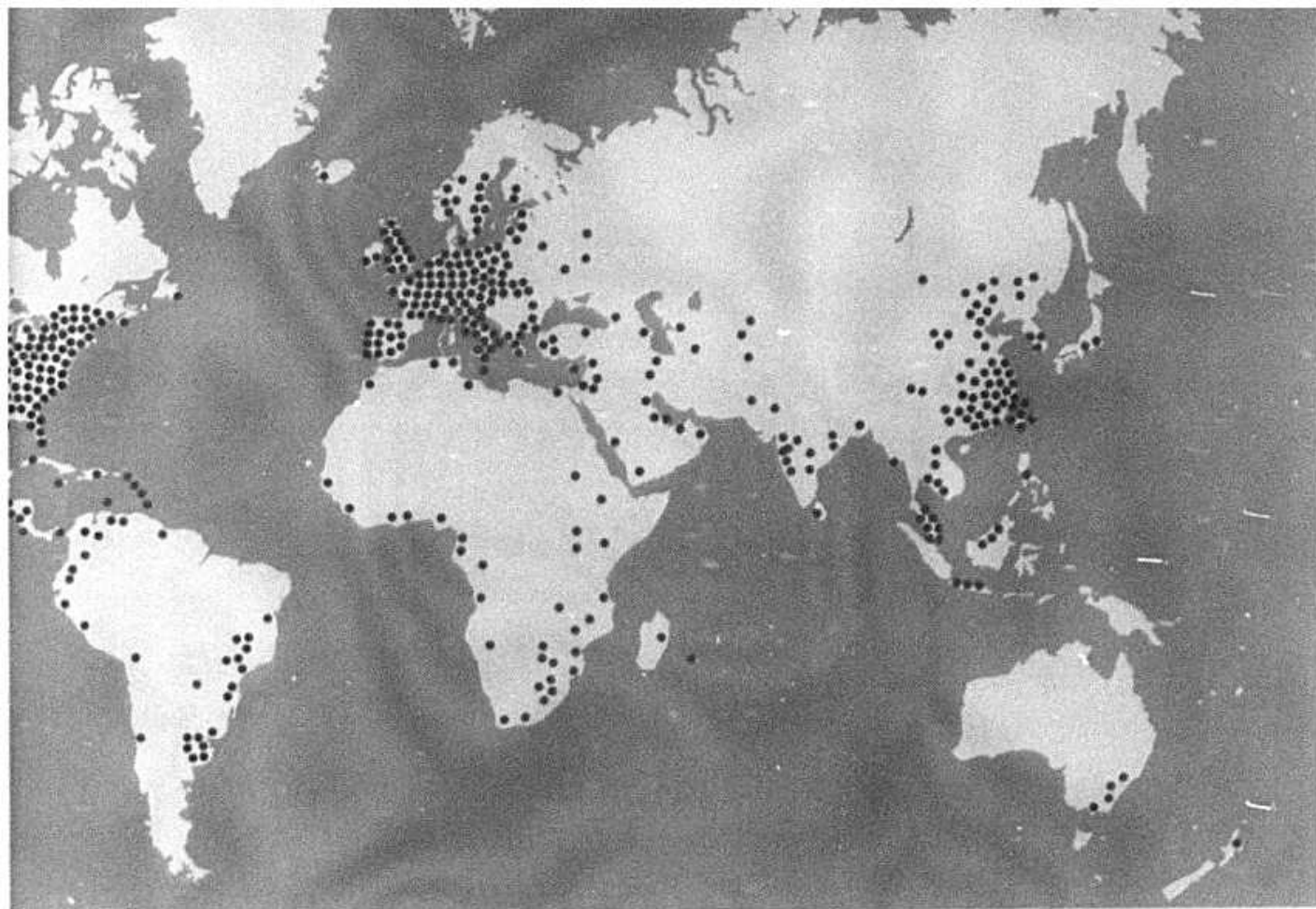
billion, which included the extraordinary gain from the sale of our pacemaker activities.

Productivity-enhancing measures in our top program made a vital contribution to improved earnings, and will be rigorously pursued in our ongoing drive to secure long-term global competitiveness. Although restructuring measures led to a charge of DM2.173 billion, the figure is considerably below last year's

Mixed segment performance

The business segments dealing in products and systems profited from the worldwide economic recovery and posted above-average growth in sales.

Sales by region (DM 88.8 billion)**Sales by business segment (including intersegment shipment)**



Our components segment showed an impressive 25% surge in growth for the year, fueled in large part by the performance of the Semiconductors Group. With its 36% jump in sales and substantial improvements in productivity, the Group pushed its earnings to DM793 million

The industry segment also showed robust growth in sales and earnings, generated by a number of major projects in Germany and a booming business in standard products. Enjoying double-digit growth and massive productivity gains, the Automation Group made the largest contribution to the increase in segment earnings

Pretax income by business segment
(in millions of DM)

Energy	64	137
Industry	702	119
Communications	645	1,134
Information	62	(319)
Transportation	(18)	201
Health care	100	239
Components	1,018	300
Lighting	340	291

■ 1995
■ 1994

The information segment also recorded double-digit growth. Despite accelerating price deterioration and continued high restructuring costs, Siemens Nixdorf Informationssysteme AG showed a profit after four years of operating in the red.

Trends in our communications segment were down for the year. A decline in domestic business impacted sales and earnings in the Public Communication Networks Group.

12 General review

while startup losses burdened the new independent Network Systems division. The Private Communication Systems Group was a bright spot, however, recording a further rise in sales and earnings.

The energy and transportation segments, largely involved in major projects, were affected by sharply eroding prices and substantial restructuring charges. The Power Generation Group (KWU) had to bear an additional charge for decommissioning its fuel element plant in Hanau, Germany. Strong 7% growth in the Automotive Systems Group, which improved its earnings, was not able to fully compensate for the first-ever loss posted by the Transportation Systems Group.

Declining prices, the strong German mark, and the loss of business resulting from last year's sale of our pacemaker activities put pressure on sales and earnings in the Medical Engineering Group.

The lighting segment, on the other hand, managed to sustain its sales level and improve earnings despite falling prices and the weak dollar.

Financial strength remains high

Capital spending climbed DM1.8 billion to DM7.5 billion. Spending on acquisitions rose to DM2.0 (1994: DM1.2) billion, largely due to the purchase of Pyramid Technology Corporation, San Jose, California, and a stake in newly formed ITALTEL SIT S.p.A., Milan, Italy. Expenditure on

property, plant and equipment, which had declined in the past two years, increased to DM5.5 (1994: DM4.5) billion, primarily as a result of investments in our new Microelectronics Center in Dresden.

For the first time in years, high capital expenditures and investments, as well as the expansion of business, caused a net increase in funds used that was covered by a reduction of miscellaneous assets. The Company's assets and capital structure remained virtually unchanged from the previous year.

In the spring of 1995, we received triple-A long-term bond ratings from the two leading international rating agencies, Moody's and Standard & Poor's, as a confirmation of our "very strong business position and solid financial standing."

Workforce resizing slows

The number of employees declined by 3,000 to 373,000. Cutbacks of 7,000 jobs in Germany resulted from restructuring measures, and were partially offset by the addition of 4,000 employees outside the country; 3,000 of this total were attributable to the consolidation of new companies.

Pace of innovation accelerated

As the transformation of our Company proceeds, innovation processes are being speeded up. Encompassing all stages of the value added chain, our comprehensive program includes innovations in basic technologies and products, and in the very way we do our systems and major projects business. One exam-



ple of this drive is the consolidation and focusing of our know-how for new markets such as multimedia.

Product and technology innovation powered by our research and development efforts, in which we invested DM7.3 billion, or over 8% of our worldwide sales, further enhanced our position as a leading global player in the electrical and electronics industry.

"Synapse", our neural computer, won the Innovation Prize of German industry. Used in the increasingly important sector of image processing, the machine works roughly 8,000 times faster than conventional workstations.

In the field of microelectronics, which is becoming a decisive competitive factor in ever more industries, we and our partners are leaders in developing new chip generations such as the 256-megabit DRAM with storage capacity



for 16,000 pages of text. Our strong international team, which has recently been joined by Motorola, will cooperate on developing the four-fold more powerful 1-gigabit DRAM.

We are technology leaders in the highly dynamic GSM cellphone market. In another sector, Siemens supplied the state-of-the-art switching systems now being used in Germany's infobahn. And we were the first to successfully market a multimedia terminal combining PC, communications system and television.

In the energy sector, our latest generation of environmentally friendly gas-turbine power plants has set a world record for efficiency. Our advanced instrumentation and control systems for power plants and transmission grids were well received by the market. A second Japanese firm has licensed our environmentally compatible thermal waste recycling process, and a pilot plant has begun operations in that country.

Further innovative products and processes, such as faster full-body computed tomographs, new generations of machine-tool controls, or more efficient processes for manufacturing steel and paper underscore our position as a world-class technology leader.

Initiatives for the environment

Reflecting the total commitment to environmental protection anchored in our corporate mission, we are one of the very few industrial companies to set rigorous mandatory environmental and recycling standards for our engineers and developers. Our Euroset

800 telephone family and Green PCs, for example, can be almost completely recycled, and increasing numbers of our products are receiving environmental awards.

Advanced environmental technologies, including systems and plants for waste disposal and the monitoring and cleaning of air, water and soil, are an important part of our program.

In our drive to minimize impact on the environment, we again reduced the volume of waste by 15% and held water consumption and square-footage energy consumption constant despite higher production output for the year. Although our production technologies scarcely burden the environment, we spent DM225 million in the continuing quest to optimize environmental protection at Siemens AG.

DM13 dividend

At the Annual Shareholders' Meeting on February 22, 1996, we will propose that a dividend of DM13 be paid on each share with a par value of DM50 from the DM728 million net income of Siemens AG, based on the capital stock entitled to the dividend, and that the amount attributable to treasury stock be carried forward.

Looking ahead

We expect the effects of the strong German mark and high domestic wage settlements to impact our business situation to a greater extent this year than last. On the other hand, important customer industries both in Germany and abroad should enjoy further growth.

Our components and industry business segments, which showed the highest growth in fiscal 1995, should soften somewhat this year. In contrast, we anticipate solid expansion in the communications and information seg-

ments. Little change is expected in the other business segments.

Unrelenting pressure to improve productivity across all operations will lead to further reductions in the workforce, particularly in Germany.

Above all, the increasing success of our Company-wide *top* projects should make a positive contribution to earnings. At the same time, restructuring costs are expected to decline again. In view of these factors, we expect net income to increase for the year.

The Managing Board's general review covers both Siemens AG and Siemens worldwide consolidated.



15 Employees

To enhance our competitiveness, we are reshaping our corporate culture to ensure that creativity and commitment thrive, that productivity is a natural priority, and that our global team is totally focused on attaining customer satisfaction. As we nurture this culture, we are spreading the message that accomplishing our goals takes precedence over corporate titles or rank.

Our culture is based on teamwork, streamlining decisions and speeding our response to market needs. Trusting people to strive and achieve on their own initiative, we are aiming at empowering our employees in a highly cooperative climate which reaches across all departments and operations.

Our employees' talents and their ability to suggest the best possible customer solutions have made us one of the industry's strongest global players. Support and motivation for this talent comes from our managers, who are increasingly being selected from our rich international pool of human resources.

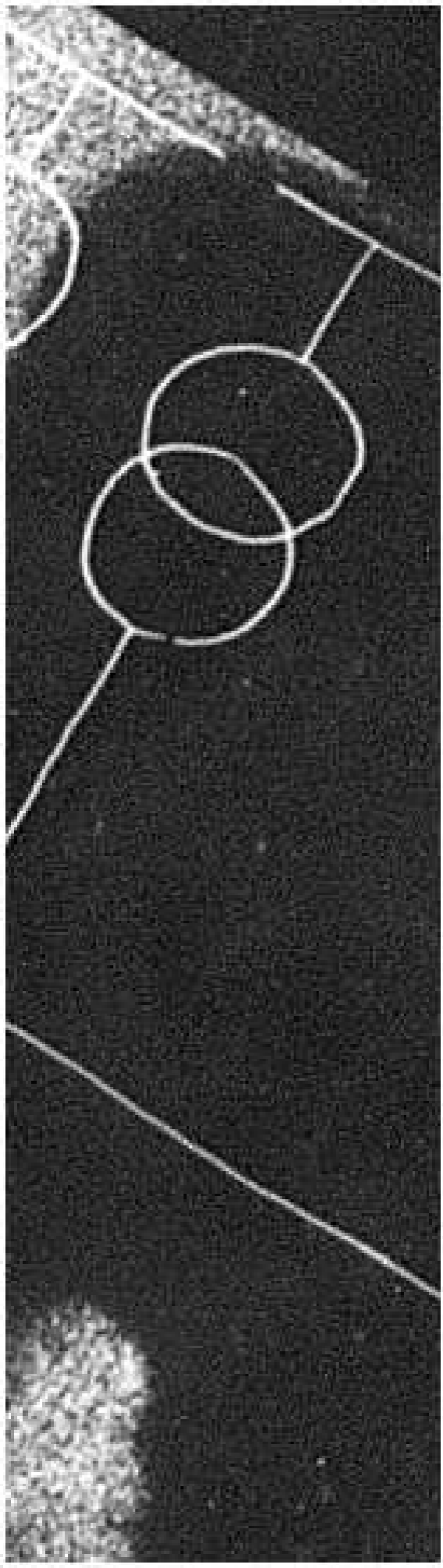
Success is ultimately determined by the ability to anticipate and adapt to changing business conditions. To secure our competitiveness, we rely on flexible work schedules to reduce costs. With more than 100 different work schedules being used throughout the Company, we have achieved new levels of market responsiveness. As part of our program, we offer part-time employment wherever appropriate. Over the past decade, the proportion of people working part-time at Siemens AG has nearly doubled to around 10%.

As of September 30, 1995, we employed 373,000 people worldwide, roughly 3,000 fewer than the previous year. Workforce reductions continued in Germany, where 7,000 jobs were phased out during the year. Our international workforce grew by 4,000, including 3,000 attributable to the consolidation of new companies. This reflects the growing need to adapt our global value-added structure to regional demand and to serve our international markets and customers more efficiently.

Employees by region
September 30, 1995

■ Europe including Germany	77%
■ Americas	17%
■ Asia-Pacific	5%
■ Africa, Middle East, C.I.S.	1%





Meeting the energy needs of a growing worldwide population while reducing the impact on the environment requires creative power generation and transmission solutions. We continue to develop power supply systems that use fewer natural resources, operate cleaner, and transmit as well as distribute power with the highest possible efficiency. Bold new concepts, such as fuel cells for generating power in isolated locations and superconducting power storage systems, are carrying us beyond the limits of existing technology. By rigorously boosting productivity, we now provide our customers with energy systems at lower cost and faster than ever before. And in response to market demand for lower investment costs and innovative financing models, we are participating as co-investor in an increasing number of power projects.



Static reactive-power compensators reduce power transmission losses and voltage fluctuations.

Power Generation (KWU)

New orders	DM9.0 billion	- 6%
Sales	DM8.4 billion	+ 11%
Income	DM79 million	
Capital spending	DM253 million	
Employees	20,200	

While sales were pushed up by expanding business in Asia and the billing of major projects in eastern Germany, orders failed to reach the previous year's level due to substantially lower prices and the postponement of some projects.

The closing of our nuclear fuel production in Hanau, Germany, and restructuring measures to boost productivity across all divisions once again burdened earnings.

Orders for gas turbines and combined-cycle (GUD) power plants came in from Europe, Asia and both North and South America. These included contracts for all three output ranges of our new gas turbine family, launched at the beginning of the year. The new models are marked by improved efficiency, performance and cost-effectiveness. We are currently developing large coal-fired power plants with advanced technologies for China and Indonesia, and will be delivering four generators for China's largest pumped-storage power plant in Guangzhou.

As part of our efforts to bolster and expand our market positions in the Far East and Eastern Europe, we formed joint ventures for engineering and manufacturing turbines and generators, as well as for producing equipment for hydroelectric power plants. We also acquired minority stakes in two companies specializing in the production of turbines and generators in St. Petersburg, Russia. Major investments were also made in upgrading our domestic facilities, including the addition of a new integrated production line for turbine blades in Berlin.

Our new Teleperm XP instrumentation and control system for power plants is proving a success in all market segments, from small cogeneration plants to large coal-fired power plants. More than 60 orders have been received from 20 countries.

Working with electrical utilities, we are developing a new generation of nuclear power plants. We received orders for the basic design phase of the European Pressurized Water Reactor (EPR), a joint Franco-German project, and for a medium-sized boiling water reactor (SWR 1000). Numerous orders were won for servicing nuclear power plants in Belgium and the Netherlands. Our nuclear fuel business has been restructured on an international basis.

18 Energy

We sold a second license to Japan for our thermal waste system for the environmentally friendly recycling and disposal of household and industrial waste. The first commercial plant using this system is being built in Furth, Germany, and will be completed by late 1996. Further project and planning orders have also been received for contracts in Germany and Switzerland.

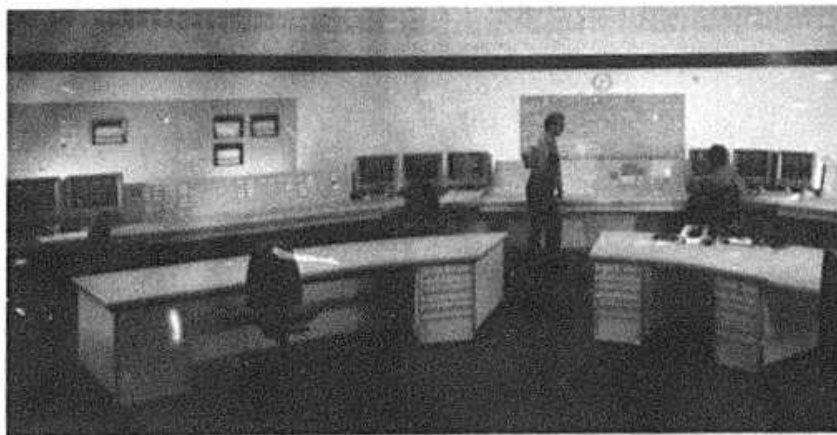
We are moving ahead on developing fuel cells as a promising future alternative for generating power in isolated locations.

International competition is expected to intensify during the current fiscal year. The worldwide volume of power plant contracts is likely to stagnate, affected in part by the long pre-contractual planning for privately financed projects. Despite these factors, we expect to sustain orders and sales at roughly last year's level. Long-term programs to enhance competitiveness have improved our cost position and further shortened the time needed for engineering, manufacturing components and on-site assembly.

Power Transmission and Distribution		
New orders	DM6.1 billion	+13%
Sales	DM5.9 billion	+7%
Loss	DM15 million	
Capital spending	DM151 million	
Employees	22,500	

In a year marked by ups and downs, we boosted new orders and sales, helped in part by the consolidation of two cable-producing subsidiaries in Hungary and Italy.

Responding to a tougher competitive environment marked by falling prices, we launched additional cost-cutting initiatives designed to adapt and



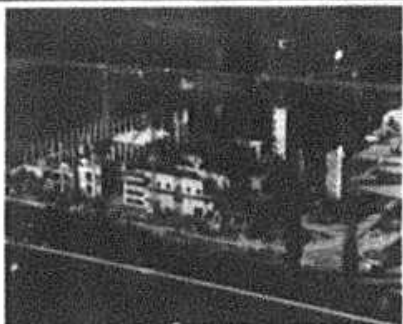
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1 High-voltage stabilization equipment also operates with absolute reliability in extreme temperature ranges of -50° to $+40^{\circ}$ C.

2 The Teleperm instrumentation and control system boosts power plant efficiency and reliability.

3 Our thermal waste recycling process converts waste almost completely into recyclable materials and energy. This plant is under construction in Furth, Germany.

4 Seismic testing of a high-voltage circuit breaker on an extremely high-strength porcelain post insulator.



3

4

consolidate production capacity; these led to a high restructuring charge. Earnings slipped into the red for the first time.

Our transformer and power cable divisions were hard hit by eroding prices, and business in medium-voltage technology, electricity meters and substation control systems failed to meet expectations.

As part of our expansion program, we formed four joint ventures in China: for cables in Tianjin; for vacuum switchgear in Baoji; for high-voltage switchgear in Hangzhou; and for power transformers in Jinan. To build up our production base for these power transformers, we also established a joint venture with Koncar Holding in Zagreb, Croatia.

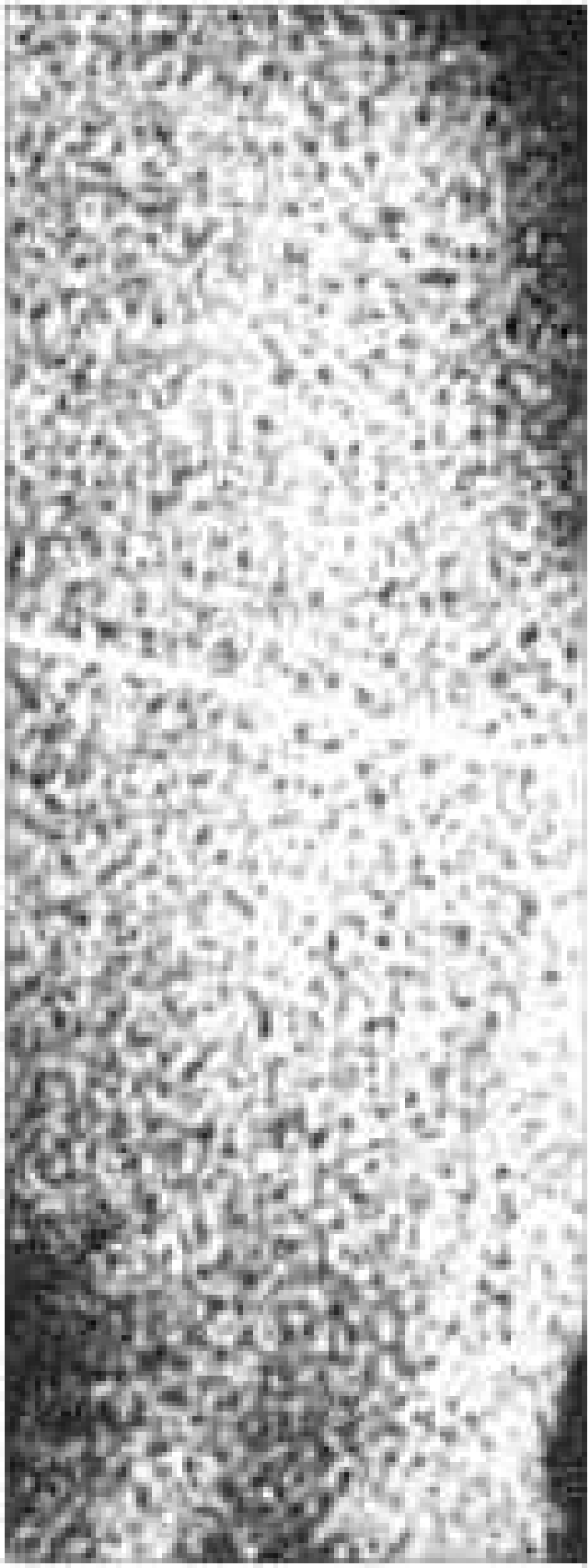
Following our acquisition of a Budapest transformer manufacturer, for years a licensee of one of our environmentally friendly processes, we have our own distribution transformer capacity in Central Europe. And by founding a joint venture in South Africa with meter producer Spescom, we rounded off our range of prepayment electricity meters.

We demonstrated our expertise in power network controls by consolidating six substations spread throughout western and eastern Berlin into one joint station for power distribution, network monitoring and interference suppression.

Together with the Danish electric utility Elsam, the Technical University of Copenhagen, and the University of Manchester, we developed a new electronic control system for Denmark's largest wind power plant, Rejsby Hede.

After the Sylmar East high-voltage substation in Los Angeles, California, was gutted by fire in 1993, we rebuilt the facility to withstand fire and earthquakes. And in China, we provided a major share of the power distribution system for the Yangpu Economic Development Zone.

As part of the *top* program, we are rigorously pursuing productivity programs to accelerate the innovation process and expand our markets, particularly in America and Asia. We expect these concerted efforts to restore profitability.



In today's fiercely competitive business climate, our focus is on providing the hardware, software, engineering and services needed to increase productivity with the greatest possible respect for environment factors. State-of-the-art logistics systems and information technology, coupled with instrumentation and controls, provide the basis for a highly efficient, extraordinarily complex interplay among individuals, machines and production sites. Open-ported industrial equipment ensures the total integration of communication paths to streamline automated processes. Electronics are also the key to controlling mechanical systems, such as variable-speed drives. As more intelligent industrial processes are developed, the focus has shifted to the level of information and material flows that depend increasingly on fuzzy logic and neural networks.



Automation ensures efficient production

Industrial and Building Systems

New orders	DM9.7 billion	+7%
Sales	DM9.2 billion	+7%
Income	DM75 million	
Capital spending	DM94 million	
Employees	40,400	

Even though unfavorable currency exchange rates and intensified competitive pressure impacted earnings, we continued to expand our business worldwide. Solid gains were made in our international business, where we posted double digit growth in both orders and sales.

Domestic business was subdued, reflecting industry's reluctance to invest in major projects as well as tighter budgets in the public sector. We continued to push cost-cutting programs to help boost earnings.

International business was marked by the billing and ordering of a number of major projects for the iron and steel industry in Southeast Asia, Italy and Austria. Orders came in to supply electrical equipment for three hot-rolling mills in North America. One will use compact strip production (CSP) technology, the other two are medium compact plants. Both innovative systems allow the competitively priced production of broadband steel in one continuous process. Of the some 20 plants of this type worldwide,

nearly all use or are being equipped with Siemens process controls and drives, underscoring our technological edge and market leadership in this sector. We also enjoy a solid international position as a provider of airport systems.

A number of major orders for building systems placed by banks and insurance companies confirmed our strength in this field.

The direct marketing of technical services to non-Siemens customers surpassed the billion-mark level for the first time. As large companies step up the trend toward outsourc-

ing service and maintenance, we expect dynamic growth in this sector. To benefit from this development, we must substantially improve our cost position; this will require greater worktime flexibility and inevitably lead to further cutbacks in our domestic workforce. As a precautionary measure, the charge for these personnel adjustments was taken in the year under review.

Underscoring our international commitment, we formed two joint ventures for technical services in China and Russia.

In the current fiscal year, we expect stable domestic demand and an increase in exports, particularly to Southeast Asia and developing nations in South America.

Drives and Standard Products

New orders	DM7.8 billion	+9%
Sales	DM7.4 billion	+7%
Income	DM212 million	
Capital spending	DM240 million	
Employees	34,700	

In a strong year, orders, sales and earnings continued to climb, fueled in large part by our international operations. Domestic orders were also up from the previous year.

The drives business posted a strong jump in sales and orders. Simovert Master Drives, our new family of modular converters, proved a success in markets throughout the world and consolidated our position in this sector. The division will be strengthened by a new joint venture in Tianjin, China, our Group's fourth enterprise in that country.

Our low-voltage circuit breaker business greatly profited from the boom in the European machine-tool industry. This success was bolstered by the market popularity of our actuator sensor interface (ASI), which bridges the communications gap between the higher control levels and the lowest functional levels in automated industrial processes.

Our installation and lighting systems business, whose volume is largely determined by demand in the construction industry, once again was affected by restrained growth in public and industrial construction. Stagnating domestic business, particularly in lighting systems, was offset, however, by a surge in exports.

Our EIB Instabus building management system is now being used in private housing, having proven its convenience, security and energy efficiency in the commercial and industrial sectors. The system monitors, controls and integrates all vital functions and processes in a building, from heating and air conditioning to lighting and security systems.

Our wholesale "i-center" (installation center) organization now has more than 125 locations, and posted a strong upswing in business volume.

With the worldwide markets for our spectrum of products promising to expand, we expect to see steady growth bolstered by intensified international activities and further product innovations.

In response to dynamic changes in the drives systems business, we completely restructured our former Drive Systems division into five independently operating units. By segmenting and vertically organizing these activities, we are effectively dealing with altered product structures, new value-added processes and changing buyer behavior in the market.

Automation

New orders	DM6.5 billion	+15%
Sales	DM6.9 billion	+16%
Income	DM415 million	
Capital spending	DM141 million	
Employees	16,700	

Our timely development of new products enabled us to profit from a sharp upturn in capital investment by industry during the year. As the business climate improved in the world's major industrial regions, we achieved notable growth in both standard industrial products and major projects.

Streamlined processes and innovative products launched in recent years, together with a higher volume of sales, led to significantly improved earnings.

Once again, our experience in providing integrated, company-wide solutions proved invaluable in completing major projects such as the logistics systems for Deutsche Post AG's 33 package handling centers in Germany, and the automated logistics system for Quelle's new mail-order center in Leipzig, Germany. These two projects made a substantial contribution to earnings for the year.

Our standard products business benefited primarily from higher levels of domestic and international orders and sales from the industrial sector, in particular machine tools.

Continuing to apply our systems competence to other sectors, we are offering complete automation solutions to the textile and packaging industries, wood-, ceramics- and stone-processing industries, and for plastic-processing machines and presses.

The electrical and electronics industry sustained its solid level of orders for our programmable controls and surface-mount placement (SMD) systems. Business with the chemical industry, in contrast, remained quiet. We received the first orders for our new mail-sorting machines in letter and package logistics projects in Germany and the Netherlands.

In order to better serve our industrial customers and consolidate business activities, we merged our U.S. activities, previously the responsibility of Siemens Industrial Automation, Inc., with Siemens Energy & Automation, Inc., effective October 1, 1995.

The billing of major projects in fiscal 1995 will lead to a dip in sales for the current year. In our standard products sector, the mainstay of our activities, we anticipate another significant surge in business despite a general slackening of demand.



1
Simovert Master Drives, our new family of frequency converters, offer a uniform drives concept for various applications.

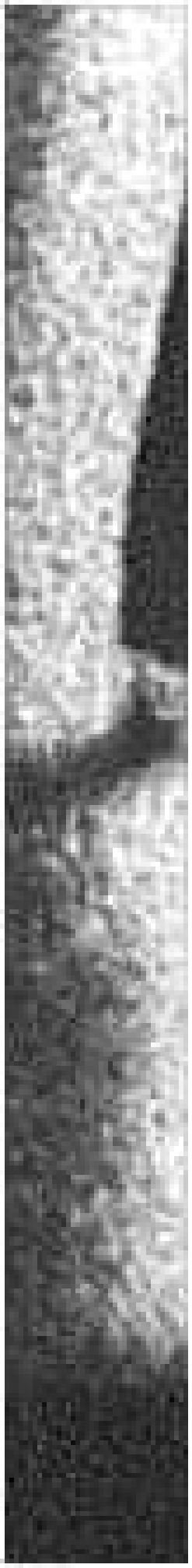
2
Oversized letters can now be sorted automatically.

3
At the heart of the world's largest maritime traffic security system are the Siemens-equipped operations centers in Brunsbüttel and Cuxhaven, on Germany's Elbe River.

4
Applications for the new Simatic automation system are virtually unlimited.

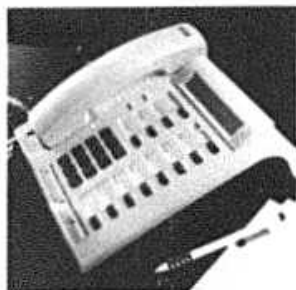
5
The Actuator Sensor Interface, a bus system for industrial communication, networks the field level with the unit controls.





25 Communications

In communications, new technologies are joining information systems and entertainment electronics to create tomorrow's multimedia world, opening up unique opportunities for the business world and enhancing the quality of life for all. Interactive communication has dramatically expanded the spectrum of available information and services, such as teleshopping, teleworking and telelearning. Our equipment, systems and services rank among the world's best and we intend to stay at the front of these accelerating developments by building on our existing portfolio of innovative technology platforms. We offer comprehensive communications solutions for increased mobility and security, for broadband and multimedia applications, and for global networking through public or private networks.



Siemens offers a uniform phone design for all its private communication systems worldwide.

Public Communication Networks

New orders	DM10.8 billion	-12%
Sales	DM10.4 billion	-19%
Incor.	DM206 million	
Capit. spending	DM339 million	
Employees	32,400	

The general trend toward deregulation and liberalization has spawned highly fluid telecommunications markets throughout the world, offering us both the challenge of new competitors and the promise of new customers. This development, plus the rapidly accelerating pace of technological change, have put considerable pressure on profits.

A weakening domestic market, resulting in part from the completion of telecommunications projects in the new

German states, led to a decline in sales. Exports as well as the new orders and sales of our international companies, however, sustained their previous year's high level.

To improve our position in a tough marketplace, we pressed forward with product development and formed further alliances and joint ventures in Eastern Europe and Asia.

The new joint venture with Italy's state-owned telecom holding company STET will enhance our presence in the global market. In Spain, we agreed on a memorandum of understanding with Amper S.A. on future joint ventures.

Deutsche Telekom AG signed a framework agreement with us to speed digitization of Germany's telephone network. Our EWSD digital switching system continues its notable success: to date, 230 customers in 86 countries have ordered well over 100 million line units.

As the telecom market continues to open up, we recorded initial successes with "Alternative Carrier," our new marketing activity.

We have achieved a solid market position in GSM-based mobile communications, and our wireless technology is now being used by 47 operators in forty countries.

Continuing to expand our spectrum of network access products, we can meet every

customer need for fiber-optic, coaxial and copper communication cables, and radio networks.

Responding to changing market demands, we have shifted our focus to new sectors and reorganized the Group effective October 1, 1995, to form eight largely independent business units. Now closer to our customers, speedier and more flexible, we expect this move to help expand business and improve profits.

Our non consolidated subsidiary Siecor Corporation, in which we hold a 50% stake, further improved its market position in North America by acquiring Northern Telecom's cable accessory business, with plants in the U.S., Canada and Mexico.

26 Communications

Private Communication Systems		
New orders	DM7.0 billion	+14%
Sales	DM7.0 billion	+13%
Income	DM479 million	
Capital spending	DM475 million	
Employees	23,000	

The substantial jump in new orders and sales, and a major improvement in earnings were largely attributable to our strength in the international market. A healthy share of this growth was generated by the rapidly expanding mobile phone market.

Our strategy of concentrating on future-oriented innovations and high-growth international markets has borne fruit. In addition to expanding direct sales of our digital Hicom phone system throughout the Asia-Pacific region, we have opened a technical service center in Singapore to serve Southeast Asia. We have also formed a joint venture in Shanghai to develop, produce and market telephones in China.

We entered the promising Indian market with our Hicom systems, and backed our commitment to local content with a joint venture for telephone production. We won an order to supply Hong Kong's new airport with a comprehensive ISDN communications network served by 16 Hicom systems.

After successfully reengineering and streamlining its operations, our U.S. subsidiary Siemens Rohn Communications moved into the black for the first time since its consolidation some years ago. During the year, the company formed a Wireless Terminals Division

to develop, manufacture and market mobile phones for the American market.

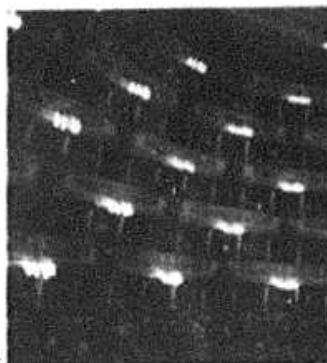
We established joint ventures with ITALTEL in Italy and with SMH, the parent company of Swatch, in Switzerland. In Britain, we acquired a majority stake in the private communication systems business of Mercury Communications Ltd.

Demand for our innovative cordless phones and especially for our cellphones is so great that we were able to triple production output. We also developed a standardized telephone family for the global market with simple operating features that were granted international patents.

To better satisfy market needs for end-to-end solutions, we are remodeling ourselves as a systems house for communications solutions. In this role, we offer a full spectrum of products, systems and services, ranging from demand analysis and the provision of complete turnkey systems, to outsourcing services including operation and management of our customers' private communication systems. We work as a general contractor or together with partners, subsidiaries or other Siemens operating units.

Because success in our business largely depends on a widely applied set of industry standards, we are working with Apple, AT&T and IBM on the "Versit" initiative to develop and promote open specifications for integrating communication products from different manufacturers.

We anticipate further growth in the current fiscal year, and intend to outperform the general market significantly by offering highly innovative applications, complete communications solutions and world-class mobile phones.



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Telecom ca
optimizing

2
Our Hicom
perfect cor
scenes at h

3
The Autok
provides m
for German

4
Call Center, our call distribution system, optimizes telephone availability to boost competitiveness.

5
High-speed networks used by telecom carriers in Europe and the U.S. are based on our EWSM digital switching system.

Network Systems

New orders	DM1.0 billion
Sales	DM0.9 billion
Loss	DM83 million
Capital spending	DM14 million
Employees	1,600

The growing need for open network solutions helped boost sales and orders for our special division, formed in 1994. Demand was especially strong in Europe and the NAFTA countries.

We installed a high-speed network for multimedia applications in South Africa, and expanded existing networks in Britain and the U.S. Strengthening our position in the Asian market, we provided two special networks for integrated voice and data transmissions in two Chinese provinces. In Germany, we networked the nationwide branches of leading banks.

To expand our product portfolio for local area networks (LANs), we acquired Ornet Data Communication Technologies Ltd., Carmiel, Israel. Ornet is one of the foremost providers of switched Ethernet technology, which permits higher transmission rates in LANs, allowing new multimedia applications.

Our development activities are focused on switching systems for asynchronous transfer mode (ATM) technology, a key to the nascent multimedia world, as well as on network management systems and ISDN solutions. High upfront costs for these developments have resulted in negative earnings.

Defence Electronics

New orders	DM1.3 billion	+16%
Sales	DM1.3 billion	-11%
Income	DM43 million	
Capital spending	DM26 million	
Employees	5,500	

Our business volume continues to be determined by the typical fluctuation of orders and billings for large projects. As expected, both business volume and earnings declined for the year.

Nevertheless, the market for defense electronics began to stabilize as the phase of planning uncertainty apparently ended. This was particularly true for our two most important markets, Germany and Britain. In a changing defense environment, the demand for communications, command and control, and reconnaissance systems — the backbone of our business — showed healthy growth.

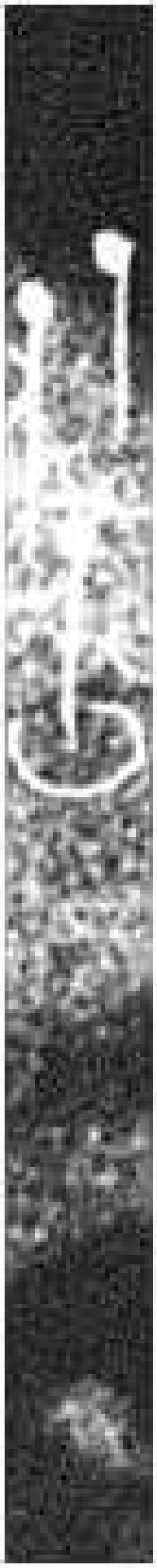
Moving quickly to respond to market conditions, we completed all necessary restructuring measures and were able to achieve commensurate earnings. On average, more than 80% of our value added is generated in the customer's country.

Our participation in key air traffic control and defense electronics projects has assured us world-class technological competence over the long term.

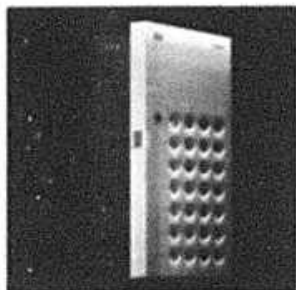
In the command and control systems sector, we strengthened our market position with orders in Britain and Germany. The Argentine national police ordered a country-wide short wave radio network.

We continued to enhance our leading position in multifunctional radar systems by successfully proving our equipment in tests in Germany and Britain. Important orders for air traffic control systems were won in Nanjing, China, and Hungary.

We anticipate a continuing upswing in our markets and solid growth in our business.



The astonishing pace of technological development, coupled with rapidly growing numbers of users with highly individual needs, make the IT market exceptionally dynamic and volatile. Marked advances in information technology have fueled fundamental changes in industry and administration. Today's office is lost without a PC, companies rely on networked computers and servers, and even PCs in the home have access to the global infobahn. Siemens Nixdorf (SNI) is undertaking a profound reengineering process to secure its competitiveness in this demanding climate. A streamlined organization and a more responsive corporate culture have increased its flexibility and reemphasized its commitment to total customer orientation.



Controls and disk drives are behind the lockable door on the Primergy PC server.

Siemens Nixdorf Informationssysteme AG (SNI)	
New orders	DM13.0 billion +11%
Sales	DM12.8 billion +10%
Income	DM62 million
Capital spending	DM426 million
Employees	37,200

Siemens Nixdorf (SNI) has turned around. For the first time since its formation, orders and sales rose. Following years of restructuring measures, the company has moved into the black.

PC sales totaled nearly 640,000 units, and we were market leader in Germany in the first half of 1995. Together with Siemens Electrogerate GmbH, we launched the new

Multimedia Star FD 200, a combined PC, television, telephone and fax designed for the consumer market, as well as the high-end multimedia Scenic PC line, in the fall of 1995.

We sustained our position as a leading European provider in the commercial UNIX* server market, remaining number one in Germany in this sector. Our full acquisition of America's Pyramid Technology Corporation helped us further reinforce our standing.

Our computer point-of-sale systems remained top seller in the European market, and we also maintained our strong market position in the automated teller sector. SNI is one of the world leaders in the high-performance printer market.

To better serve our markets, we consolidated our activities for application software products in a single business unit. "Workplace Centered Computing" is our strategy for merging business administration and office functions at the workplace.

For Deutsche Postbank AG, one of the world's largest telebanking operators using SNI products, we integrated the archiving solution Arcis with Kordoba at 14 branch offices. Allianz awarded us a triple-digit million-mark contract for systems integration services, as well as desktop and notebook PCs for some 6,000 insurance agencies.

We are the world's first and only supplier of an innovative system allowing electronic ticketing with touchless chipcards now in use for the Frankfurt-Berlin air route. The system was developed in partnership with Lufthansa and introduced in May 1995.

As part of its major intelligent networks project, Deutsche Telekom ordered our software to implement the networks' array of services.

In the current fiscal year, we anticipate further growth and a continuing rise in earnings.

* UNIX is a registered trademark in the United States and other countries, and is licensed solely by X/Open Company Limited.

31 Transportation

Within the global transportation markets, two seemingly contradictory trends are shaping developments. On the one hand, growing wealth is increasing the desire for more mobility. On the other, environmental concerns and the high cost of transportation infrastructures are threatening to limit growth. Our approach to these divergent factors lies in offering innovative intermodal concepts. As a world-class systems integrator, we possess know-how and experience culled from all our specialties — transportation and automotive systems, defense electronics and industrial systems — to develop environmentally sound ways to improve and integrate road, rail and air transportation, and to provide state-of-the-art traffic management and air traffic control systems.



Europe's RegioSprinter is an example of our advanced vehicle design for regional rail routes.

Transportation Systems

New orders	DM5.9 billion	+5%
Sales	DM4.6 billion	+6%
Loss	DM128 million	
Capital spending	DM122 million	
Employees	13,700	

After years of having our rail systems business substantially outpace the market, growth rates have settled at a high level. Orders and sales, however, once again rose for the year.

The growing liberalization of markets, privatization of railroad operations and over-capacity in the rail supplier industry have intensified competition and put further pressure on prices. In addition, the shift in switch systems from relay technology to electronics is changing the value-added structure and vertical integration in our production.

We are responding to these developments with a comprehensive cost management program, and are now rigorously consolidating all overlapping activities in the plants we acquired in recent years in the sector of locomotive and rolling stock production. These restructuring efforts and eroding prices in the industry severely burdened earnings.

Nevertheless, the outlook for the future remains bright. The global market for transportation systems should show steady, long-term growth, though marked by strong regional fluctuations. Expansion is expected to be most dramatic in Asia, America and, in a larger time frame, Eastern Europe.

We are prepared. In the next two years, we plan to increase our volume of international business substantially. As part of our accelerated drive to globalize, we are building up our base in the U.S. and forming new alliances in Asia.

The next generation of Germany's high-speed ICE train is taking shape under our lead management. More adaptable and even faster than its predecessor, the ICE 2.2 will be running throughout Europe by the turn of the century. Orders for the sleek units and for the IC NeiTech, our trainsets with tilt capability, have reinforced our technological leadership in the high-speed and tilt-train sector. We have just delivered the first units of our new RegioSprinter, a diesel-electric light rail vehicle for mid-distance routes.

New orders for rapid-transit and long-distance rail vehicles were received from Portugal, the Netherlands, Eastern

32 Transportation

Europe and Scandinavia. We delivered subway trainsets to Singapore, opened a new subway line in Shanghai, and are building a subway network in the Chinese city of Guangzhou. And we installed advanced electronic switching systems in a number of European cities.

As we continue to localize our rapid-transit business for the NAFTA area, we opened a plant for vehicle shells in the U.S. that allows us to offer complete trainsets built with local content. The opening of our own testing center for all types of rail rolling stock near Monchengladbach, Germany, will help us further consolidate our market position at a high level.

Although we face rising costs, relentless price deterioration and additional restructuring expense, we expect to improve earnings in the current fiscal year.

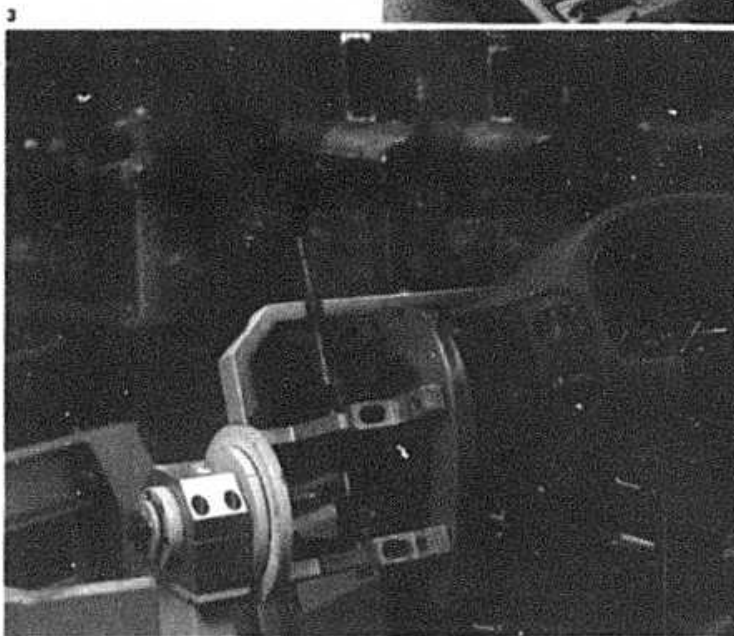
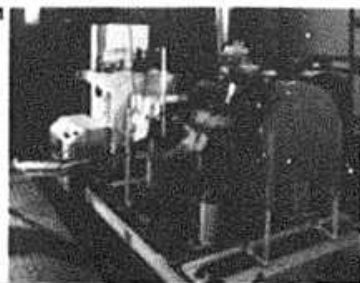
Automotive Systems

New orders	DM3.2 billion	+7%
Sales	DM3.2 billion	+7%
Income	DM110 million	
Capital spending	DM295 million	
Employees	13,700	

Despite difficult market conditions for suppliers to automakers, and the divestiture of our air conditioning systems activities, we again boosted orders, sales and earnings. This growth was largely due to a boom in our core business of automotive electronics.

Roughly two-thirds of our total business is generated by electronic systems, including motor management systems for improving efficiency and reducing emissions; passive safety systems for passengers, on-board information and navigation systems, and electronics for suspension systems. Electric motors and on-board networks also account for a large share of our sales. Siemens now supplies virtually all automakers in the world with electronic equipment.

Our climate systems division, which accounted for approximately 10% of Group sales, was incorporated into Valeo Climatisation SA, Paris, in which Siemens holds a minority stake. As part of the deal, we took over a majority share in a producer of electric motors for climate systems, located in La Suze, France.



1 Testing components, systems and management for new automobile engines.

2 Our low-floor light-rail vehicles in Vienna have the world's lowest boarding height.

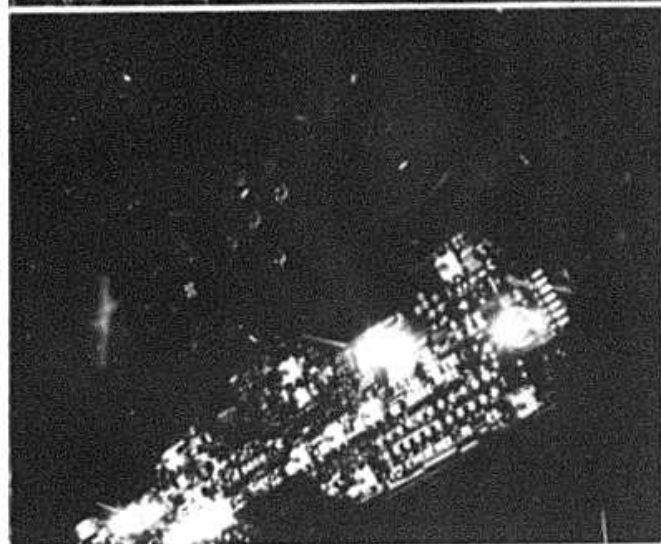
3 Cable sets for networking power and information in cars can be quickly and easily installed.

4 Huge cities like Shanghai, China, depend on metro lines.

5 Our electronic controls are used by manufacturers of automotive heating and air conditioning systems.



4



In our steady push toward globalization, the structure of the Group's value-added content has changed. Some 30 production sites around the world have been added to the ten locations in Germany, reflecting our policy of following customers into new markets. Parallel to these foreign investments, we are strengthening our marketing organization and tailoring our product offerings to serve customers even better than before. We are now focusing on the markets of Latin America and Asia.

To keep at the cutting edge of the industry, we spent around DM350 million, representing more than 10% of sales, on research and development. The dramatic pace of innovation in automotive electronics can be seen in our current spectrum of products and systems; four-fifths were developed in the past three years. We also see ourselves as a pacesetter in the worldwide trend toward larger assembled units and systems integration.

We expect business volume to rise once again in the current year, fueled by our strong innovative drive in motor management systems and safety electronics.

Facing unrelenting pressure to cut costs, health care providers and their suppliers are continually seeking ways to improve productivity. The demand for the most cost-effective equipment and processes is growing. We have secured a solid market position through innovative and patient-friendly products, creative customer management services and rigorous cost-cutting programs. Our revolutionary Magnetom Open magnetic resonance imaging system, for example, has been sold to more than 150 customers worldwide since its market launch in late 1994. The system is ideally suited for both routine diagnostics as well as cost-saving interventional examinations. With more than fifty customers, we are the world leader in digital image archiving and communication systems linking hospital radiology departments and private practices.



Our Sonoline family of ultrasound imaging systems provides fast and accurate diagnoses.

Medical Engineering

New orders	DM6.9 billion	-11%
Sales	DM6.8 billion	-10%
Income	DM100 million	
Capital spending	DM238 million	
Employees	23,400	

A restrained market, currency fluctuations, growing pressure on prices due to overcapacity in the industry, and the sale of our cardiac pacemaker activities cut our business volume and led to a drop in earnings.

Stronger growth in Southeast Asia could not quite compensate for lower demand in the U.S., where we do a quarter of our business. Despite declining import support in Japan, we were able to hold our solid position there and defend our market leadership in the field of cardiac angiography. Trends in Central and Eastern Europe were positive, and business in Latin America was augmented by major orders for X-ray units in Colombia and Argentina.

Our new, highly flexible patient monitoring system has been well received in the market. In the ultrasound sector, our color-capable Sonoline Versa family, a growing success since its introduction in early 1995, has now been approved for sale in the U.S.

The latest generation of our "Swing" hearing aid has a feature unique in the industry: it uses just a single chip.

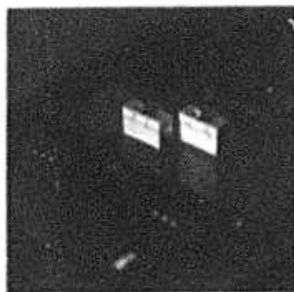
A large share of the year's capital spending went into our plants. Comprehensive restructuring programs and rigorous process reengineering enabled us to meet requirements set by the U.S. Food and Drug Administration, and optimized our process flows, quality and manufacturing costs. Our plant in Forchheim, Germany -- Europe's only facility for computed tomographs -- delivered its 5,000th CT unit this year. At present, every sixth unit of the world's installed base of 30,000 CTs bears the name Siemens.

We anticipate a light upswing in business this year, helped in part by the launching of additional new products, including computed tomographs, patient monitoring systems, ultrasound imaging units and audiological devices. Income for the year is expected to continue improving.



37 Components

The breathtaking growth rate in the components sector makes it a driving force of economic development. Today's vast array of semiconductors, and passive and electromechanical components form an indispensable part of the electrical and electronics world and are the basis for countless innovations. They have transformed PCs, mobile phones and video cameras, for example, into handy, user-friendly and attractively priced consumer goods. In other industrial applications, components vastly increase the value-added content of products and processes. As a major global supplier in this field, we work closely with customers worldwide in all industries and within our own company to provide tailor-made, innovative solutions.



Miniatu-
rized strip-line
filters made of microwave
ceramics are key compo-
nents in mobile phones.

Semiconductors

New orders	DM4.9 billion	+35%
Sales	DM4.2 billion	+36%
Income	DM793 million	
Capital spending	DM1.3 billion	
Employees	15,900	

Last year's upward momentum continued as sustained high demand for products in our core businesses dramatically boosted orders, sales and earnings. This brisk growth was also the result of streamlining measures in development and production.

In the information technology IC sector, we further extended our leadership in CMOS and bipolar technologies, and enhanced our market position in applications for switching systems and networks. We affirmed our top position

in Europe for DECT and GSM mobile communication applications by offering state-of-the-art technologies with complete chip sets. Our components for graphics, image-in-image functions and 100-cycle technology for flicker-free televisions were major successes.

As a leader in chip-card ICs, we continued to expand our international business in this sector. Our customers are benefiting from new security monitors for smart cards. Continuing to globalize our activities, we launched a 32-bit microcontroller project for automotive electronics and information technology in Cupertino, California.

We are adapting semiconductor memory technology for new application sectors in

microelectronics, such as our innovative multimedia memory chip card.

In the power chip sector, we are the only European manufacturer of high-performance chips used in the rapidly growing drives market segment. Responding to trends in the automobile industry, we developed intelligent power switches that led to above-average business growth.

Our powerful surface-mounted high-frequency components based on gallium arsenide and silicon won us additional market share, particularly in the mobile communications sector.

The growing use of high-performance LEDs in automobiles and information technology pushed up sales in this sector. We are Europe's number one supplier of LEDs, and second in the U.S. market.

Construction and commissioning of our state-of-the-art Dresden chip plant are on schedule. Highly promising market forecasts led to our decision to expand capacity further, and our chip factory in North Tyneside, near Newcastle, England, should go on line in 1997. We are developing our plant in Villach, Austria, as a power chip center, and are also expanding production capacity in Regensburg, Germany. In addition, we have joined Motorola to build a new chip plant in the U.S.

38 Components

Our cooperation with IBM and Toshiba continues to flourish: We presented the first fully functional samples of the world's smallest and fastest 256-megabit DRAM. Our tri-lateral development alliance has been joined by Motorola, and will be launching the 1-gigabit DRAM project.

Following years of closing the technological gap with competitors and successfully restructuring our entire organization, we are now positioned to launch a major expansion program tailored to market needs.

Passive Components and Electron Tubes		
New orders	DM2.1 billion	+15%
Sales	DM1.9 billion	+16%
Income	DM196 million	
Capital spending	DM175 million	
Employees	8,900	

We are continuing to grow: orders and sales have jumped again, confirming that we have succeeded in winning market share with our highly competitive product spectrum. Our joint venture Siemens Matsushita Components contributed 60% of total sales.

Profitability rose as a result of higher sales and, above all, due to our efforts to focus on customer needs, improve productivity and streamline processes.

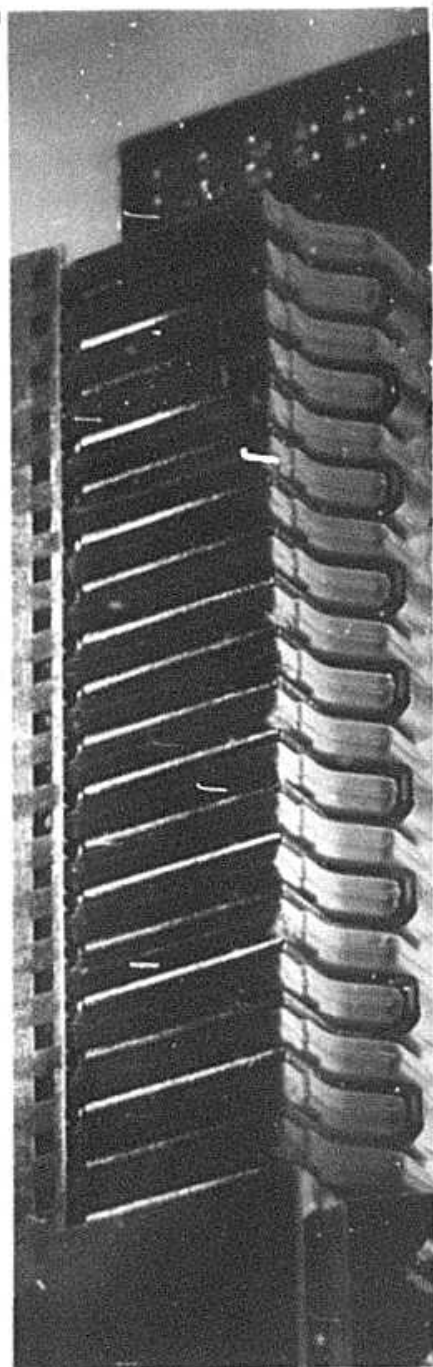
Growth was attributable not only to the strong components market, but to our targeted launching of various new products with high customer benefits.

We recorded especially vigorous demand in the telecommunications, automobile and industrial electronics sectors. In our global market, growth was strongest in Asia and America.

Double-digit growth rates were achieved by our surface acoustic-wave filter and ceramic components divisions. The two units received a large share of our considerably higher capital spending during the year, as we stepped up efforts to ensure we will be able to seize future market opportunities.

We are securing future growth worldwide with a host of innovative products featuring world-class quality and optimal customer benefits. As part of our new focus, we are moving into the dynamic markets of Asia and America, and increasingly shifting our development, manufacturing and marketing activities to these regions. This move is locking in crucial cost advantages and bringing us closer to key customers.

To consolidate our earning power, we are intensifying our customer orientation and encouraging our employees' entrepreneurial spirit. Our continuous improvement process is streamlining productivity in all our business segments. These measures, coupled with the targeted launching of innovative products, will ensure that we remain competitive.

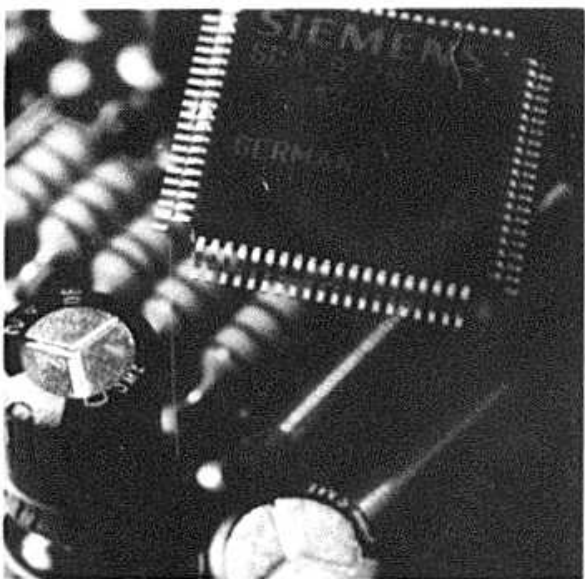


1 Optimally shielded signal pins in a metric grid are a special feature of our SIPAC plug connectors.

2 Our SDA 9270 Field Mixer reduces the remaining line flicker in 100-cycle television sets.

3 Clean-room production of surface acoustic-wave filters in Munich, Germany.

4 Plug connectors for our Universal Serial Bus link up to 126 PCs.



Electromechanical Components

New orders	DM1.2 billion	+9%
Sales	DM1.1 billion	+7%
Income	DM27 million	
Capital spending	DM93 million	
Employees	7,800	

We are countering the growing pressure of global competition by pushing innovation and aggressively penetrating important markets. Close development partnerships with customers and radically reduced throughput times are giving us the competitive edge. Our international workforce of experienced and committed people ensures that

The relay business also boomed. We substantially increased our market share in the network relays sector with our acquisition of Austria's relay producer Schrack, with plants in Austria, Mexico and Brazil. To satisfy rising customer demand in the automobile relay sector, we expanded our production capacity in Berlin-Marendorf, in Trutnov, Czech Republic, as well as in Franklin, Kentucky.

Newly developed connectors for cellphones, computers and automobiles enabled us to penetrate new markets. Our new production facilities in Charlotte, North Carolina, and our sales office in Totowa, New Jersey, are conveniently located near key customers, helping us gain a solid foothold in the American market. In the automotive sector, we are continuing to focus on innovations for safety systems such as air bags and ABS, for motor management systems, and for fuel injectors. In the computer business, we are one of the first manufacturers to offer a connector for the Universal Serial Bus (USB), which allows for simpler and more cost-effective networking of peripherals.

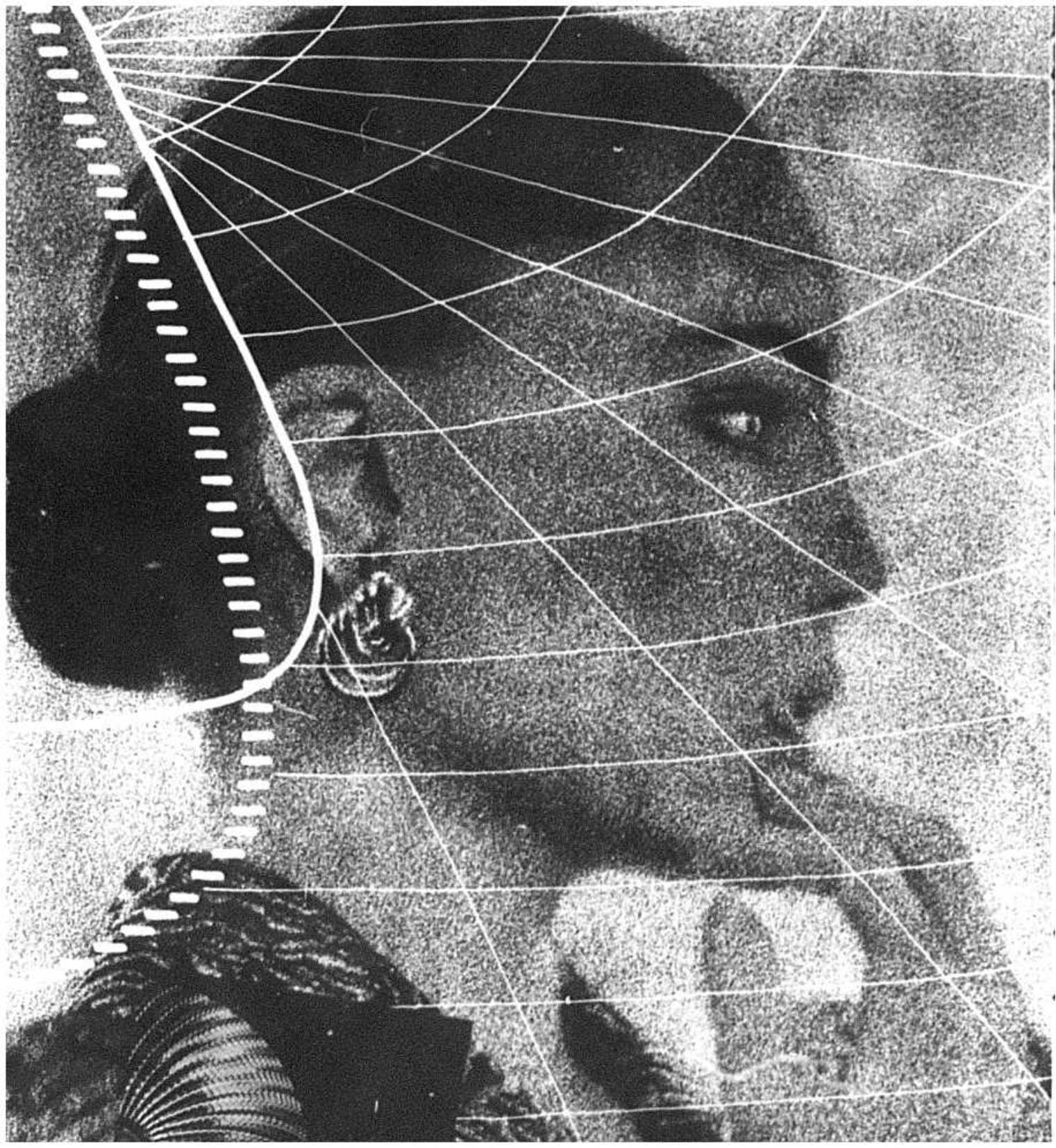
Following a difficult restructuring phase, our business with hybrid power modules showed an upswing.

In view of declining restructuring charges, we anticipate higher earnings for the current fiscal year.



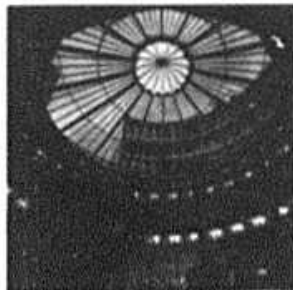
customer demands are met with speed, flexibility and highest quality.

The fiber-optic components division led growth for the year, with a 25% jump in business volume. These products are opto-electronic modules that convert electrical signals into light and vice versa. While the primary market for these components remains the U.S., the Japanese market is also expanding. We significantly improved and consolidated our position in both regions.



41 | Lighting

The field of lighting technology is in the midst of steady change. In structural lighting, for example, market demands have shifted from standard to highly customized designs. Teamed up with designers, architects and the electrical trade, the Industrial and Building Systems and the Drives and Standard Products Groups provide state-of-the-art lighting solutions. Our innovative concept of "integrated light," combining artificial and natural lighting systems for optimum effect and efficiency, is opening up a whole new realm of possibilities. In this area, we are mixing the broad know-how of our building systems unit with the expertise of Osram, one of the world's three largest lamp manufacturers. This type of synergistic effort has also kept us at the competitive edge of innovation in the field of exterior lighting.



Dramatic illumination for the Zurich Stock Exchange.

Osram		
New orders	DM5.4 billion	0%
Sales	DM5.4 billion	0%
Income	DM340 million	
Capital spending	DM366 million	
Employees	27,000	

Although the year brought a satisfactory increase in volume, sales remained at the previous year's level. We were especially affected by currency fluctuations, since over 85% of our global revenue is generated by international business.

Despite the currency factor and continued strong erosion of prices, we substantially boosted earnings, largely by rigorously implementing a variety of productivity-enhancing measures. Success in our North American market made a major contribution to the year's results.

Once again, growth was driven by our range of innovative products such as halogen lamps, compact fluorescents and halide lamps. In the automotive lighting sector, we continued to reinforce our position as world leader.

While domestic business remained below expectations due to a weaker construction sector and sluggish consumer demand, we achieved solid growth in the rest of Europe and North America. We continued to build up presence in the high-growth Asian market by forming a sales and production joint venture in Fosan, China.

We now have production capacity in Eastern Europe as well, following the acquisition of a Slovakian lamp manufacturer. As part of our regional strategy, we opened an office in Moscow to complement those in Budapest, Prague and Warsaw.

Osram is continuing its drive to globalize, and is focusing on expanding into the promising markets of Asia and Eastern Europe. We plan to expand production capacity in these regions.

Looking at the current year, we expect to continue expanding business volume. Further streamlining measures should sustain the healthy level of earnings.



43 Bosch-Siemens Hausgeräte GmbH

As a leading European manufacturer of domestic electronic and electrical goods, Bosch-Siemens (BSHG) offers consumers a broad product spectrum ranging from intelligent stoves and dishwashers to entertainment electronics. A continuing flow of world-class innovations are helping BSHG move into new, high-growth market sectors in household electronics. New offerings include: the Home Electronic System, the first user-friendly control which integrates all household systems and equipment, based on the Instabus EIB; and the Multimedia PC, marketed together with Siemens Nixdorf (SNI). The sophisticated design and superb quality of BSHG products developed for the European market will pace our expansion into other global areas, particularly the fast growing markets of Southeast Asia and South America.



Our latest generation of washers and driers are extremely user-friendly.

Bosch-Siemens Hausgeräte GmbH (BSHG)*

New orders	DM6.9 billion	+3%
Sales	DM6.9 billion	+3%
Income	DM320 million	
Capital spending	DM279 million	
Employees	22,500	

In the fiscal year ended December 31, 1994, Bosch-Siemens Hausgeräte GmbH outperformed the industry and consolidated its market position in Europe. Orders and sales edged up 3%, sales growth was equally divided between domestic and international business.

We continued to expand our market share, in particular with large electrical appliances such as dishwashers, stoves, refrigerators and freezers.

Lively sales and successful measures for reducing material costs pushed up net income to DM190.5 (1993: DM99.6) million. After transferring DM105.2 (1993: DM39.1) million to BSHG's consolidated retained earnings, a profit of DM81.2 (1993: DM58.7) was distributed.

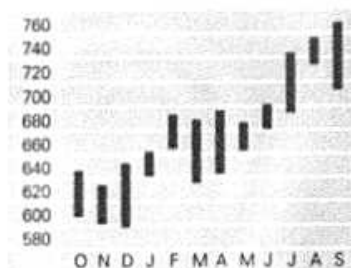
We further strengthened our global competitiveness by opening a washing machine plant in Poland and forming a joint venture for manufacturing washing machines in China. Other major events included the takeover of kitchen specialist Gaggenau, and the purchase of all voting stock of Brazilian appliance manufacturer Continental 2001. By acquiring the Turkish appliance producer PEG, we secured an insider position in the sixth largest and fastest expanding market in Europe.

Facing depressed demand in the consumer goods sector in 1995, we expect only a slight increase in sales for the year. Earnings will be burdened by currency losses, deteriorating prices, and rising costs for materials and labor.

* BSHG is 50%-owned by Siemens and is not included in the Company's worldwide consolidated figures.

Siemens on the financial markets

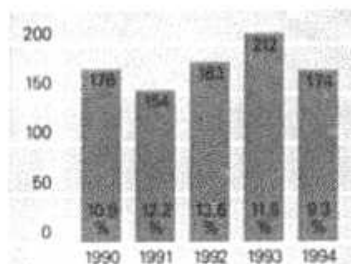
Highs and lows
of the Siemens share
(in DM)



Per-share data
(in DM)

Net income excl. minority interest	30.12	31.60
Earnings according to DVFA/SG	39.70	34.50
Dividends	13.00	13.00
Shareholders' equity at Sept. 30	374.50	363.50
Market price at Sept. 30	721.30	632.50
Shares issued at Sept. 30 (in millions)	56.0	56.0
	1995	1994

Trading in Siemens shares
(DM billion and percent of all domestic stocks)



Stock market situation

Strongly fluctuating throughout fiscal 1995, German stocks showed marked gains for the year. The price of the Siemens share rose from DM632.50 to DM721.30. Including the dividend, this represented a 16.2% increase in value over the 12-month period, significantly higher than those recorded by Germany's DAX Index (8.7%) and the Morgan Stanley Electrical and Electronics Stock Index (13.5%), which measures industry performance.

The share price began a major surge in mid-December 1994 when the positive results of our Company-wide restructuring measures were announced.

High Siemens share liquidity

The Siemens share is traded on all German exchanges and on eight other European exchanges. Once again, our share was one of the most actively traded stocks, accounting for over 9% of the aggregate volume of German stocks.

Investor Relations

Our Investor Relations department aims at optimizing communication between the Company and the financial markets by providing a steady and timely stream of information on the latest Company

developments to shareholders and interested financial analysts.

During the year, we intensified the scope and flow of information to our shareholders. Reflecting our policy of providing comprehensive information, we are publishing the earnings of each of the 17 operating units for the first time. We organized a number of analyst and investor conferences with various operating groups, and enhanced our commentary on the Company's business developments by maintaining even closer contact with German and international investors.

Conversion to DM5 share

To make the Siemens share even more attractive to investors, we will propose at the 1996 Annual Shareholders' Meeting that the par value of the Siemens share be converted from DM50 to DM5. Following this conversion, the

Siemens Kapitalanlagegesellschaft mbH (SKAG)

Siemens' medium- and long-term liquidity is invested in SKAG's specialized funds. These funds represent, in particular, liquid assets tied up in the Company by accruals for pension commitments and ongoing pension payments. This enables long-term planning of funds with higher yields than can be achieved with short-term direct investments.

Short-term assets that may be readily converted into cash when required are administered by Siemens AG or its domestic and foreign subsidiaries.

The aggregate market value of assets managed by SKAG amounts to DM20.2 billion, including DM2.2 billion for Siemens-Altersfürsorge GmbH, a nonconsolidated subsidiary.

SKAG	9/30/95	%	9/30/94	%
Assets managed	20.2	100	19.0	100
of which: bond funds	15.1	75	14.1	74
stock funds	2.7	13	2.6	14
balanced funds	2.4	12	2.3	12
Market values, in billions of DM				

bank or other financial institution that keeps custody of the shares will automatically register the change. Each shareholder will receive ten new shares with a par value of DM5 each for every old share. In the future, the dividend will be one-tenth of the dividend paid on the old shares with a par value of DM50.

Market price of Siemens stock relative to world electrical stock prices (in DM, September 30, 1984 = 100)



Credit rating

In the spring of 1995, Moody's Investors Services and Standard & Poor's Rating Group conducted the first long-term rating of Siemens AG and the 1-billion U.S. dollar 8% bonds issued by Siemens Capital Corporation in 1992 and guaranteed by Siemens AG. Both agencies gave Siemens their highest ratings of AAA and Aaa, respectively, as a confirmation of the "very strong business position and solid financial standing of Siemens."

At the same time, the previous ratings for Siemens' short-term commercial paper were confirmed at A1+ and P1.

This makes Siemens one of the few industrial companies in the world given highest quality ratings by both agencies for its short-term and long-term debt.

Financial instruments

In November 1995, we collateralized our commercial paper program with a backstop facility of US\$2 billion. This consists of firm credit lines with a group of prominent banks allowing us to substantially expand our flexibility in all financing and investment

decisions and make long-term liquid asset investments unaffected by short-term liquidity fluctuations.

We also established a European medium-term note program for US\$1.5 billion in November 1995 which allows us to place bonds in major currencies with maturities as needed. The program is an important supplement to our financing options, and especially useful for our rapidly expanding international business.

Currency and interest rate management

Siemens 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 investment and other financing activities. Foreign currency hedges at September 30, 1995, existed primarily with regard to the U.S. dollar, the British pound and the Italian lira. Hedges

against interest rate fluctuations include essentially short-term debt instruments denominated in German marks or U.S. dollars.

All financing activities are subject to strict risk management, which covers both on-balance sheet and off-balance sheet transactions.

A comprehensive electronic treasury management system is used to manage transactions related to short-term debt and liquidity control as well as foreign exchange transactions. This system forms the real-time, uniform database for trading, settlement, control, and accounting activities, which are kept strictly separate. Trading includes responsibility for financial transactions and ongoing monitoring of interest rate and currency exposure. Within specific limits, there are restrictions on both credit risks arising from financial transactions and on market risks resulting from any open contracts. The value-at-risk method, which is rapidly becoming a professional standard, is used for risk management. Our separate Settlement and Control department is responsible for performing all financial transactions — including confirmations to counterparties and release for payment — centrally for all units, including our financial departments abroad. This corporate department also analyzes the development of risk positions to monitor compliance with the limits set

by Corporate Finance. Transaction recording and financial accounting are the responsibility of separate departments.

The financial and hedging activities of SKAG are subject to the supervision of the German Federal Banking Supervisory Agency (BAK) in Berlin.

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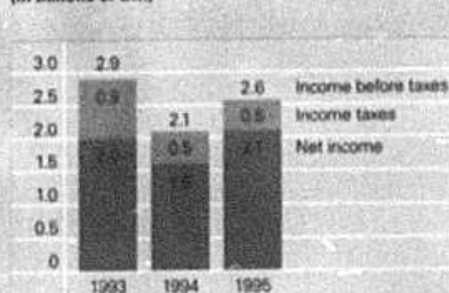
Earnings trends

The Company reported net income of DM2,084 million for fiscal 1995, 26% more than 1994's comparable earnings of DM1,649 million. Even when compared with the prior year's total net income of DM1,993 million, which included the extraordinary gain of DM344 million on the sale of the pacemaker activities, the earnings growth was 5%. Return on shareholders' equity was 9.4%, unchanged from 1994.

Income before income taxes in 1995 improved to DM2,602 million from the prior year's DM2,110 million, principally due to higher operational earnings, declining restructuring charges and stronger financial results. Pretax income before financial results came to DM1,146 million, compared to DM850 million in 1994, an improvement of approximately DM300 million.

- Strong pressure on earnings was due primarily to lower selling prices and a weakening of the U.S. dollar and major European currencies versus the German mark. Overall, the negative impact on sales was DM7.2 (1994: DM2.8) billion, or 8%, which was offset by cost improvements of DM7.0 (1994: DM5.2) billion resulting from strong productivity gains of 8%, compared with 6% in 1994. The stronger German mark contributed DM0.5 billion to cost savings. In total, the improvement in earnings due to these factors was approximately DM300 million.
- In addition, 1995 earnings were adversely affected by exceptional contributions of DM392 (1994: DM111) million to the accruals for pension plan and by higher net foreign currency exchange losses of DM375 (1994: DM120) million. With high volatility prevailing in world currency markets, major foreign currencies lost an average of 8% in value against the German mark in 1995. Although the Company enters into forward exchange and other contracts to hedge foreign currency transactions, a loss was recorded because hedging activities and the underlying transactions are valued on a stand-alone basis in accordance with the convention of conservatism. The aggregate notional amount of outstanding forward exchange contracts at September 30, 1995 increased to DM23.9 (1994: DM15.3) billion. The fair value of these contracts rose to DM357 (1994: DM146) million.

Total earnings (before extraordinary gain)
(in billions of DM)



- The decrease in restructuring charges and exit costs from DM2,678 million in 1994 to DM2,173 million in 1995 had a favorable impact of approximately DM500 million on earnings. DM1,820 (1994: DM2,300) million of the charge for restructuring was accounted for by employee related costs. Our current restructuring measures focus on Power Generation (KWU), Power Transmission and Distribution, Public Communication Networks, SNI, and Transportation Systems. These operating groups are confronted with strong price erosion due to intense competition in major markets and an extremely fast rate of innovation.
- Financial results increased to DM1,456 million in 1995 from DM1,260 million in 1994. Net interest income, which is a component of financial results, decreased to DM700 million in 1995 from DM985 million in 1994, due primarily to the decline in operational interest income. Other factors contributing to the reduction in net interest income include a global decline in interest rates during the year on an unchanged high level of liquidity, and the effects of negative exchange rate movements on income from foreign currency investments of liquid assets. On the other hand, significantly improved contributions to earnings were made by our interests in associated companies, which are recorded as a component of net income from investment in other companies, and by other financial gains, which in 1994 had been adversely affected by substantial write-downs due to a sharp price decline in equity markets.

Earnings by business segment

Total pretax income recorded by the business segments rose to DM2,983 million, up 43% from DM2,086 million in 1994, primarily due to significant cost improvements provided by productivity gains and lower restructuring charges. The higher foreign currency exchange losses and the exceptional contributions to pension plan accruals negatively impacted earnings outside business segment operations.

Business development by region

Outside Germany, Europe is the strongest geographic segment in terms of volume, followed by the Americas and the Asia-Pacific region. The expansion of our business activities in Asia is not yet fully reflected in this region's consolidated figures, because our recently formed subsidiaries in the People's Republic of China will not be included in the consolidated financial statements until fiscal 1996.

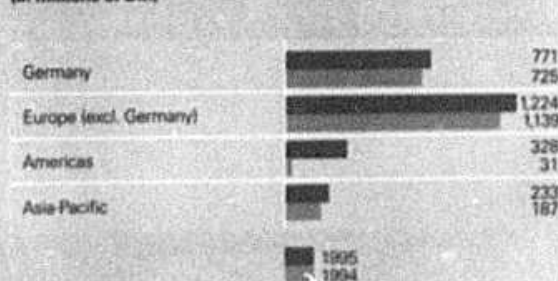
Increased pretax income in Germany of DM771 (1994: DM725) million was partially offset by high restructuring charges, which were predominantly incurred in Germany, by foreign currency exchange losses and by the contributions to pension plan accruals. In Europe, where sales were almost flat over the period, pretax earnings increased to DM1,224 million, compared with DM1,139 million in 1994. In the Americas, where negative exchange rate effects of DM2.2 billion resulted in a 5% overall decline in sales, earnings improved to DM328 (1994: DM31) million because, after recording losses in 1994, Siemens-Rohm and SNI operations in the U.S. are now profitable. Growth in sales in the Asia-Pacific region was reflected in higher earnings of DM233 million, compared with DM187 million a year earlier.

Liquidity and financial resources

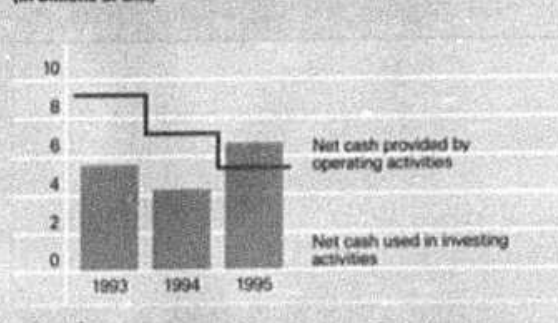
The Company's liquid assets, at DM24.1 billion, remained almost unchanged from the prior year's DM23.9 billion. Of this liquidity, DM19.5 (1994: DM18.7) billion is held in shares of investment funds which are generally managed by Siemens Kapitalanlagegesellschaft mbH (SKAG). These fund shares serve to cover the pension accruals of DM17.7 (1994: DM16.7) billion recorded in the consolidated balance sheet.

Net cash provided by operating activities was DM5.4 billion, down from DM7.2 billion in 1994. The decline in operating cash receipts was principally due to higher charges for restructuring for which accruals had been set up in the past. In addition, the rise in net working capital resulting from the increased business volume required more funds to be tied up than a year ago.

Pretax income by region
(in millions of DM)



Statement of cash flows
(in billions of DM)



Net cash used in investing activities was DM6.7 billion, up DM2.4 billion from the prior year's level. Capital expenditures for property, plant and equipment increased to DM5.4 (1994: DM4.5) billion due, among other things, to the construction of the new microelectronics center in Dresden, Germany. The increase in capital spending for acquisitions to DM2.0 billion from DM1.2 billion in 1994 is due primarily to the interests acquired in ITALTEL SIT S.p.A., Milan, Italy, for approximately DM850 million.

Net cash receipts from financing activities amounted to DM1.6 billion, compared with net cash payments of DM0.4 billion in 1994. Short-term borrowings on the commercial paper markets, primarily in Europe and the U.S., coupled with the repayment of loans extended in 1994, exceeded the prior year's dividends of DM0.7 billion.

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Assets and capital structure

Reflecting the expanded business volume, total assets increased by DM3.5 billion to DM82.0 billion.

The growth in intangibles, fixed assets and investments by DM1.6 billion was due to higher capital spending. As a result, total intangibles, fixed assets and investments are no longer fully covered by shareholders' equity.

Inventories decreased by DM0.4 billion due primarily to the billing of major contracts. Advances received from customers were DM1.8 billion lower, resulting in a net increase of DM1.4 billion, due mainly to higher inventory levels in product and systems divisions. Inventory turnover was 3.4 times in 1995, up from 3.2 times in 1994.

Amounts due from customers rose by DM1.7 billion due to the growth in sales and, in some business sectors, longer collection periods. As a result, the average carrying period for customers' accounts increased to 1.43 months, compared with 1.33 months in 1994.

Shareholders' equity at September 30, 1995 rose to DM22.5 billion from DM21.8 billion at year-end 1994, principally as a result of transfers in the amount of DM1.3 billion from net income. Due to the strength of the German mark, the negative adjustment resulting from the translation of our foreign currency financial statements increased by DM0.6 billion. As a result, the equity ratio, i.e. shareholders' equity divided by total assets, declined slightly to 27%.

Accrued liabilities accounted for 47% of the balance sheet total, slightly down from 48% a year earlier. DM1.1 billion was transferred to pension plan accruals, including DM0.4 billion in exceptional contributions to account for the commitment to raise future retirement benefits. The decline in other accrued liabilities was essentially due to a reclassification of accruals for severance agreements associated with the early retirement and employee termination program to other liabilities.

Balance sheet structure
(in billions of DM)

	78.4		78.4		
	82.0	1994	1994	82.0	
Intangibles, fixed assets, investments		27%	26%		Shareholders' equity
Inventories		7%	21%		Pension accruals
Receivables		20%			Other accruals
			27%		Debt
Liquid assets		31%	6%		Other liabilities
			10%		
September 30,	1995	1994	1994	1995	

Debt increased to DM5.1 billion in 1995 from DM4.5 billion in 1994, representing an unchanged 6% of total funds employed. Despite the increase in debt, the debt-to-equity ratio of 1 to 4.4 remained almost unchanged.

The increase of DM1.9 billion in other liabilities was primarily attributable to the addition of personnel related liabilities from other accrued liabilities. At the beginning of the fiscal year, the terms of the agreements relating to early retirement of employees were changed from recurring monthly transition payments to fixed one-time severance payments.

September 30
(in millions of DM)

Assets	Note	1995	1994
Intangibles, fixed assets and investments			
Intangible assets	1	901	592
Property, plant and equipment	2		
At cost		49,511	48,134
Less accumulated depreciation		(31,842)	(30,737)
		17,669	17,397
Investments	7	4,487	3,459
		23,057	21,448
Current assets			
Inventories	3	26,055	26,429
Less advances received from customers		(19,392)	(21,185)
		6,663	5,244
Accounts receivable and miscellaneous assets	4		
Trade accounts receivable		16,782	15,123
Other accounts receivable and miscellaneous assets		11,242	12,633
		28,024	27,756
Marketable securities	10	21,366	21,136
Other liquid assets		2,766	2,780
		58,819	56,916
Prepaid expenses		101	74
Total assets		61,977	78,433
Shareholders' equity and liabilities			
Shareholders' equity			
Capital stock of Siemens AG	11		
Common stock (total number of votes 55,064,525)	12	2,753	2,753
Preferred stock (total number of votes 923,634)		46	46
		2,799	2,799
Additional paid in capital	13	8,615	8,611
Retained earnings	14	10,324	9,128
Unappropriated consolidated net income		728	728
Minority interest	15	1,526	1,458
Translation adjustment		(1,501)	(914)
		22,491	21,810
Accrued liabilities			
Pension plans and similar commitments	16	17,747	16,669
Other accrued liabilities		20,471	21,202
		38,218	37,871
Debt			
Other liabilities	17	5,141	4,519
Trade accounts payable		7,349	6,480
Additional liabilities		8,291	7,306
		15,640	13,786
Deferred income		487	453
Total shareholders' equity and liabilities		61,977	78,433

Years ended September 30
(in millions of DM)

	1995	1994
<i>Cash flows from operating activities</i>		
Net income	2,084	1,993
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
Depreciation, amortization and write-downs	4,677	4,538
Increase in accrued liabilities	921	1,471
Gain on disposal of intangibles, fixed assets and investments	(154)	(375)
Net income retained by associated companies	(134)	(97)
Other noncash (expenses) income	(50)	321
<i>Change in current assets and other liabilities</i>		
Increase in inventories	(133)	(1,109)
(Decrease) increase in advances received from customers	(1,772)	1,394
Increase in accounts receivable	(2,240)	(1,387)
Increase in liabilities	2,195	407
Net cash provided by operating activities	5,394	7,156
<i>Cash flows from investing activities</i>		
Additions to property, plant and equipment	(5,444)	(4,533)
Payments for acquisition of investments	(2,021)	(1,188)
Proceeds from sale of pacemaker business	-	792
Other proceeds from sale of intangibles, fixed assets and investments	772	642
Net cash used in investing activities	(6,693)	(4,287)
<i>Cash flows from financing activities</i>		
Proceeds from issuance of new common stock	4	6
Repayment/redemption of bonds and debentures	(29)	(1,183)
Increase in other debt	921	1,224
Prior year's dividends paid	(724)	(721)
Other financing transactions	1,385	281
Net cash provided by (used in) financing activities	1,557	(393)
Effect of exchange rate and other changes on liquid assets	(42)	(373)
Change in liquid assets	216	2,103
included therein: Marketable securities	200	2,903
Other liquid assets	(14)	(800)
Liquid assets at September 30	24,132	23,916

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1 Acquisition of subsidiaries and associated companies
In March 1995, Siemens Nixdorf Informationssysteme AG (SNI) acquired the remaining 82.6% of the shares in Pyramid Technology Corporation, San Jose, California, at a purchase price of US\$207 million. The company, together with its eight subsidiaries, has been included in the consolidated financial statements since the date of acquisition.

The majority interests in SGP Verkehrstechnik Ges.m.b.H., Vienna, in Siemens Schienenfahrzeugtechnik GmbH, Kiel, Germany, and in Teleco cavi S.p.A., Roseto degli Abruzzi, Italy, together with ten of its subsidiaries, which were acquired in fiscal 1994, have been fully consolidated for the first time. In addition, three subsidiaries in Hungary were included in the consolidated financial statements for the first time as of January 1, 1995.

A total of three subsidiaries in Germany and 35 foreign subsidiaries were consolidated for the first time, while 21 foreign companies are no longer included in the consolidated financial statements. Ten of these companies were merged with other consolidated companies.

The changes in the number of consolidated companies did not have a material effect on the consolidated financial statements. Goodwill of DM445 million resulting from first-time consolidations was capitalized as intangible assets.

A 40% interest was acquired in ITALTEL SIT S.p.A., Milan, Italy. In March 1995, these shares, together with the interest in Siemens Telecomunicazioni S.p.A., Cologno Monzese, Italy, a formerly fully consolidated subsidiary, were transferred to Telsi Ltd., London, a joint venture formed with STET Società Finanziaria Telefonica p.A., Turin, Italy, for 50% of the shares of the new company. As an associated company, Telsi Ltd. has been accounted for under the equity method. The goodwill of DM358 million resulting from the above transactions is included in the acquisition costs of interests in associated companies.

2 Principles of consolidation

The worldwide consolidated financial statements include all significant domestic (German) and foreign subsidiaries. In addition to Siemens AG, 60 (1994: 57) subsidiaries in Germany and 239 (1994: 225) subsidiaries in foreign countries have been consolidated. 349 (1994: 352) companies that are either inactive or have a low business volume are not included in the consolidated financial statements because they have little or no significance for the presentation of Siemens' overall position.

Full consolidation of these companies would have increased consolidated sales by approximately 1%. In addition, we have omitted retirement benefit corporations and housing companies, whose assets are assigned for a specific purpose, as well as those companies whose shares were acquired exclusively as financial investments.

Interim statements are used for consolidated subsidiaries whose fiscal year differs from that of Siemens AG.

Investments in 32 (1994: 33) associated companies and in one (1994: one) subsidiary have been accounted for under the equity method. A further 133 (1994: 133) associated companies were not accounted for in this manner due to their relative immateriality.

The principal subsidiaries and associated companies are listed on pages 64 and 65. A complete list of the Siemens organization's holdings is filed with the Commercial Registries of the Berlin-Charlottenburg and Munich District Courts.

In consolidating our investment in subsidiaries, we offset the purchase price against the value of Siemens' interest in the shareholders' equity of the consolidated subsidiaries at the time of their acquisition or initial consolidation. Any resulting goodwill is capitalized as an intangible asset and amortized.

The same principles are applied in consolidating companies under the equity method. Any resulting goodwill is included within the valuation of the investment in these companies.

Intercompany transactions between consolidated companies have been eliminated from the consolidated financial statements.

3 Foreign currency translation

In the individual company financial statements, foreign currency receivables and payables are translated either at historical exchange rates, or at the lower or higher rates existing on the balance sheet date, respectively. When foreign currency receivables and payables of our foreign subsidiaries are hedged by forward exchange transactions, they are translated at the corresponding hedging rate.

The Company's foreign subsidiaries' financial statements are translated using the year-end current rate method. Under this method, intangibles, fixed assets and investments as well as the other assets and liabilities are translated at the year-end current rate (the average of the buying and selling rates). Revenues and expenses as well as net income are translated at the average rate of exchange for the year. The cumulative currency gains or losses resulting from the translation of net worth are recorded as a separate component of shareholders' equity.

Intangibles, fixed assets and investments as well as the non-monetary assets and liabilities of the Company's subsidiaries in the highly inflationary economies of Brazil and Turkey are restated at their current value or replacement cost and translated at the year-end current rate of exchange. Revenues and expenses are restated and translated in the same manner.

1 Principles of accounting and valuation

The annual financial statements of the companies included in the consolidated financial statements are prepared according to uniform principles of accounting and valuation. The tax-deductible special reserves included in the individual financial statements of the domestic companies have been reversed in the consolidated financial statements. Valuations in the annual statements of companies accounted for under the equity method that deviate from these uniform principles have not been adjusted due to their immateriality.

Intangible assets purchased for consideration are recorded at cost and are amortized on a straight-line basis.

Property, plant and equipment is valued at acquisition or production cost net of scheduled depreciation, generally using the straight-line method. The declining balance method is also used by companies in Germany. Exceptional depreciation is charged where a write-down in book value is deemed necessary.

Interests in nonconsolidated subsidiaries and associated and related companies are valued at the lower of cost or fair value.

Inventories are carried at the lower of acquisition or production cost or market value. Certain inventories are accounted for using the LIFO method.

The other current assets are stated at the lower of cost or market value.

The accruals for pension plans of German domestic companies that provide for the contractual retirement benefits of employees and retirees are set up according to actuarial principles on the basis of a method provided for in the German Income Tax Act. Foreign subsidiaries establish accruals for pension plans according to comparable actuarial principles.

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

Derivative financial instruments are generally valued on a stand-alone basis. Foreign subsidiaries apply the principles of hedge accounting for similar contracts.

Sales are recognized when deliveries are made or services are rendered to the customer. Sales related to long-term contracts are recorded in accordance with the completed contract method or upon the attainment of performance milestones.

Deferred taxes are accounted for under the liability method. These taxes are based on temporary differences between the financial statement and tax bases of assets and liabilities of the consolidated companies, as well as the temporary differences resulting from consolidation entries. Net deferred tax asset balances resulting from temporary differences in the earnings of the consolidated companies are not recognized.

Certain items on the consolidated balance sheet and in the consolidated statement of income have been combined. These items are shown separately in the notes to the consolidated financial statements (Notes).

In fiscal 1995, the Company made certain adjustments to its balance sheet and statement of income classification. Notes are now included in miscellaneous assets. In order to present net interest income in a more meaningful manner, gains and losses on interest rate and equity derivatives are now reflected in other financial gains (losses). The prior year's balance sheet and statement of income have been restated to achieve consistency.

2 Statement of cash flows

The flow of funds in the consolidated statement of cash flows is classified into three categories: operating activities, investing activities and financing activities. The financial resources shown represent the Company's liquid assets, i.e. marketable securities and other liquid assets.

The effects resulting from changes in the number of entities consolidated have been eliminated from the relevant items of the three categories. The same applies to adjustments in value caused by movements in exchange rates and noncash changes in securities, whose effect on liquid assets is shown separately. Prior year amounts have been adjusted to achieve consistency.

Net cash provided by operating activities includes interest income of DM2,578 (1994: DM2,474) million and interest expense of DM664 (1994: DM693) million.

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6 Intangible assets and property, plant and equipment

(in millions of DM)	9/30/94	Acquisition or production cost				9/30/95	Accumulated depreciation/amortization	Net value as of 9/30/95	Net value as of 9/30/94	Depreciation/amortization during the fiscal year
		Translation adjustment	Additions	Reclassifications	Retirements					
Intangible assets										
Patents, licenses and similar rights	623	(33)	84	-	205	469	273	196	243	110
Goodwill	387	(36)	450	-	-	801	96	705	349	58
	1,010	(69)	534	-	205	1,270	369	901	592	168
Property, plant and equipment										
Land, equivalent rights to real property, and buildings, including buildings on land not owned	14,257	(194)	650	97	370	14,440	6,044	8,396	8,600	619
Technical equipment and machinery	13,763	(206)	1,356	280	682	14,511	10,704	3,807	3,795	1,332
Other equipment, plant and office equipment	16,442	(292)	2,265	206	2,001	16,620	13,224	3,396	3,330	2,051
Equipment leased to customers	2,775	(54)	454	4	628	2,551	1,860	691	792	452
Advances to suppliers and construction in progress	897	(43)	1,174	(587)	52	1,389	10	1,379	880	-
	48,134	(789)	5,899	-	3,733	49,511	31,842	17,669	17,397	4,454
	49,144	(858)	6,433	-	3,928	50,781	32,211	18,570	17,983	4,622

Patents, licenses and similar rights are amortized over periods not exceeding five years, while amortization of goodwill is recorded for periods not exceeding 15 years.

Depreciation is charged on residential, office and factory buildings over a maximum of 50 years, on technical equipment and machinery over a maximum of ten years, and on other equip-

ment and plant and office equipment, in general, over five years. Equipment leased to customers is depreciated over periods not exceeding five years. Low value items are fully expensed in the year of acquisition.

Depreciation on property, plant and equipment includes DM268 million in exceptional depreciation.

7 Investments

(in millions of DM)	9/30/94	Acquisition cost				9/30/95	Accumulated write-downs	Accumulated equity adjustment	Net value as of 9/30/95	Net value as of 9/30/94
		Translation adjustment	Additions	Reclassifications	Retirements					
Interests in subsidiaries	1,369	(10)	306	65	602	1,128	151	(19)	958	1,206
Interests in associated companies	2,519	(152)	1,199	36	27	3,575	-	(873)	2,702	1,433
Miscellaneous investments	1,067	(5)	276	(101)	233	1,004	177	-	827	820
	4,955	(167)	1,781	-	862	5,707	328	(892)	4,487	3,459

The additions to interests in subsidiaries relate predominantly to acquisitions and the formation of new companies. Retirements relate primarily to subsidiaries which are now fully consolidated.

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

During the year, interests in subsidiaries were written down by DM43 million, and miscellaneous investments by DM12 million.

Long-term loans bearing nominal or no interest are stated at their discounted cash value.

8 Inventories

(in millions of DM)	9/30/95	9/30/94
Materials and supplies	3,162	2,779
Work in process	4,488	4,428
Finished products and merchandise	5,171	4,522
Cost of unbilled contracts	11,616	12,814
Advances to suppliers	1,618	1,886
	26,055	26,429

Acquisition or production cost is determined on the basis of the weighted average cost of cumulative additions. Production cost includes an appropriate proportion of material and production overheads. An allowance of DM3,253 (1994: DM3,409) million was provided for declines in value due to slow-moving items and technical obsolescence.

9 Accounts receivable and miscellaneous assets

(in millions of DM)	9/30/95	Due after one year	9/30/94	Due after one year
Trade accounts receivable	16,782	1,578	15,123	1,244
Other accounts receivable and miscellaneous assets				
Receivables from nonconsolidated subsidiaries	2,732	238	2,169	117
Receivables from associated and related companies	2,964	841	3,293	1,071
Miscellaneous assets	5,546	596	7,171	799
	11,242	1,675	12,633	1,987
	28,024	3,253	27,756	3,231

Accounts receivable due after one year which bear nominal or no interest have been discounted. Accounts receivable and miscellaneous assets are stated net of an allowance for credit and country risks of DM2,583 (1994: DM2,467).

Miscellaneous assets include DM143 (1994: DM269) million of net deferred tax receivables resulting from consolidation entries. In addition, miscellaneous assets include certain interests in subsidiaries amounting to DM935 (1994: DM855) million. These relate to interests in subsidiaries which were acquired exclusively as financial investments. These companies are generally active in real estate business.

10 Marketable securities

(in millions of DM)	9/30/95	9/30/94
Treasury stock	5	26
Stock certificates	943	928
Fixed-income securities	949	1,495
Fund shares	19,469	18,687
	21,366	21,136

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In fiscal 1995, Siemens AG purchased 84,889 shares of common stock, with a total par value of DM4 million, or 0.2% of the capital stock, at an average price of DM651.20 per share, in order to offer them to employees for purchase. Including the 68,483 shares of treasury stock held at the beginning of the fiscal year, 143,176 shares, with a total par value of DM7 million, or 0.3% of the capital stock, were sold to employees at a preferential price of DM376.50 per share. At the close of the fiscal year, 10,196 shares of common stock, having a total par value of DM0.5 million, or 0.02% of the capital stock, remained in treasury. These are valued at DM450 per share.

The market value of the marketable securities exceeds their book value by DM1,401 (1994: DM969) million.

Write-downs made in prior years were reversed for the first time in 1995 if the market value of such securities increased during the year. The effect on net income was not material.

11 Movements in shareholders' equity

September 30, 1994 (in millions of DM)	21,810
Capital increases of Siemens AG	4
Transfers to retained earnings from net income of 1995	1,129
Other changes in retained earnings	67
	1,196
Payment of prior year's dividend including balance brought forward	(728)
Unappropriated consolidated net income of 1995	728
Change in minority interest	68
Change in translation adjustment	(587)
September 30, 1995	22,491

12 Capital stock and additional paid-in capital

The capital stock of Siemens AG amounts to DM2,799 million and is divided into 55,064,525 common shares and 923,634 preferred shares, each with a par value of DM50. Each share is entitled to one vote. Under conditions set forth in §23 of the Articles of Association, preferred stock is entitled to six votes per share in a second vote that may be demanded by the holders of preferred stock.

During the fiscal year, capital stock increased by a total of DM0.3 million through the issuance of 5,319 common shares from the other authorized capital as a result of the settlement offered to former shareholders of Siemens Nixdorf Informationssysteme AG (SNI AG), Paderborn, Germany. The premium of DM3.4 million was recorded as additional paid-in capital.

The authorized capital of Siemens AG remains unchanged at DM800 million. On March 28, 1991, the Annual Shareholders' Meeting authorized the Managing Board to issue up to DM500 million (nominal value) in new shares with subscription rights for shareholders as well as for holders of stock warrants (authorized capital I). This authorization will expire on March 1, 1996. A lawsuit was filed by a shareholder contesting another resolution by the Annual Shareholders' Meeting on March 28, 1991 authorizing the Managing Board to issue up to DM300 million (nominal amount) in new shares for which the subscription rights of shareholders is excluded (authorized capital II). This complaint was affirmed by the competent German courts. The Company's appeal to the German Federal High Court of Justice against this order caused the High Court to refer the issue to the European Court of Justice seeking a decision as to whether the requirements imposed by the German courts on the exclusion of subscription rights in connection with authorized capital are compliant with the Second Council Directive (Capital Protection Directive) adopted by the Council of the European Communities on December 13, 1976. The European Court of Justice has not yet concluded on the issue.

The other authorized capital amounts to DM162 (1994: DM162) million. Of this amount, DM150 million is reserved to secure the rights to purchase common shares of Siemens AG under the warrants attached to the 8% U.S. dollar bonds of 1992/2002 issued by Siemens Capital Corporation, Wilmington, Delaware. The stock warrants grant option rights for a total of 3,000,000 common shares, which may be exercised until June 2, 1998. The option period is automatically extended for periods of one year terms — but not more than two years — if the market price of the Siemens share is less than the option price at the end of the option period. The option price is DM693. The other authorized capital of DM4 million provides for the settlement offered to former shareholders of SNI AG who have not tendered their SNI share certificates by September 30, 1995 under the settlement offered by Siemens AG pursuant to §320 par. 5, German Corporation Act. The remaining other authorized capital of DM8 million secures the rights to purchase common shares of Siemens AG that were granted to the holders of the Nixdorf 1989/97 convertible loans following the integration of SNI AG into Siemens AG.

13 Retained earnings

Retained earnings include a reserve for treasury stock amounting to DM5 (1994: DM26) million. The reserve was reduced by DM21 million through transfers to other retained earnings.

14 Minority interest

Minority interest represents the minority shareholders' proportionate share of the equity of consolidated subsidiaries, primarily Siemens AG Österreich, Vienna; Siemens-Albis AG, Zurich; and Siemens Ltd., Johannesburg.

15 Accrued liabilities

The accruals for pension plans at Siemens AG and its domestic subsidiaries provide for the direct contractual retirement benefits of our employees and retirees. Retirement benefit corporations in Germany provide for 20% of Siemens AG's pension obligations to employees subject to collective bargaining agreements and to their surviving dependents. The pension accruals are based on discounted amounts using an assumed rate of interest of 6%. Moreover, exceptional contributions of DM392 million were made in 1995 to the accruals for pension plans in Germany to account for the commitment to raise future retirement benefits. In addition, accruals are established for the retirement benefits of the employees and retirees of our foreign subsidiaries according to comparable actuarial principles using applicable local interest rates, unless the obligations are covered by pension funds. The vested rights of our German employees and retirees to receive retirement benefits are insured with the Pensions-Sicherungs-Verein (PSVaG), an independent pension guaranty association. The existing pension commitments of the independent retirement benefit corporations and pension funds amount to DM4,328 (1994: DM4,332) million and are covered by these organizations' assets of DM5,357 (1994: DM5,370) million.

The accruals for pension plans also include the obligations of our U.S. subsidiaries to provide postretirement benefits other than pensions for active and retired employees amounting to DM712 (1994: DM723) million, which are determined on the basis of the entry age actuarial method using an assumed discount rate of 8% and taking into account the expected rate of increase in cost.

Other accrued liabilities (in millions of DM)	9/30/95	9/30/94
Provisions for taxes	2,095	2,099
Deferred taxes	144	91
Employee related costs	6,287	6,574
Business related accruals	6,537	7,096
Remediation and environmental protection	1,666	1,367
Other	3,742	3,975
	20,471	21,202

Business related accruals include primarily accruals for warranty obligations, anticipated losses from uncompleted transactions, and penalties for contract performance delays.

16 Debt and other liabilities

(in millions of DM)	9/30/95	Due within one year	9/30/94	Due within one year
Debt				
Bonds	1,083	-	1,199	-
Loans from banks	1,763	1,393	1,569	1,280
Notes and other loans	2,295	2,143	1,750	1,573
	5,141	3,536	4,518	2,853

Debt with a remaining term of more than five years amounts to DM1,330 (1994: DM1,326) million.

Notes and other loans include essentially commercial paper denominated in U.S. dollars and various European currencies at interest rates ranging from 2.53% to 10.57%.

Debt of DM262 (1994: DM199) million is secured, DM65 (1994: DM54) million of which, primarily outside Germany, is secured by mortgages. In Germany, debt of DM15 million is secured by claims under a Hermes export credit guarantee. In some countries, in conformity with local practice, we have executed promissory notes and pledged securities to secure our debt.

Bonds (in millions)	Foreign currency	DM	
Siemens Capital Corporation, Wilmington, Delaware 8% 1992/2002 U.S. dollar bonds	US\$	625	887
Siemens Western Finance N.V., Willemstad, Curaçao 1986/2001 U.S. dollar zero coupon bonds with warrants	US\$	122	196
			1,083

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(in millions of DM)	9/30/95	Due within one year	9/30/94	Due within one year
Other liabilities				
Trade accounts payable	7,349	7,258	6,480	6,288
Additional liabilities				
Liabilities to nonconsolidated subsidiaries	568	559	434	429
Liabilities to associated and related companies	377	254	549	432
Miscellaneous liabilities	7,346	6,788	6,323	5,686
	8,291	7,601	7,306	6,547
	15,640	14,859	13,786	12,835

The other liabilities with a remaining term of more than five years aggregated DM173 (1994: DM282) million. Of this amount, DM13 (1994: DM10) million is secured.

Tax liabilities totaling DM991 (1994: DM911) million are included in miscellaneous liabilities. In addition, this item contains liabilities of DM1,772 (1994: DM993) million mandated by the social security program. Since the terms of severance agreements associated with our early retirement program were changed to permit one-time severance payments, a reclassification was required from other accrued liabilities to miscellaneous liabilities. Moreover, this item consists of outstanding statutory social welfare contributions and statutory retirement benefit obligations in foreign countries.

17 Net sales

Net sales include our income from rental and license agreements of DM1,902 million and DM201 million, respectively.

Our rentals receivable in the future under leases with noncancelable minimum terms are as follows (in millions of DM):

1996	1997	1998	1999	2000	thereafter
1,128	970	823	678	536	1,270

18 Functional costs

Cost of sales, research and development expenses, marketing and selling expenses, and general administration expenses do not include restructuring charges and exit costs. These expenses are shown under a separate heading in the statement of income.

Government subsidies in the amount of DM159 (1994: DM196) million have been offset against research and development expenses.

19 Other operating income

Other operating income relates mainly to foreign exchange gains of DM3,864 (1994: DM1,419) million and gains on the sale of real property amounting to DM131 (1994: DM121) million.

20 Other operating expenses

Other operating expenses include primarily foreign exchange losses of DM4,160 (1994: DM1,486) million, exceptional contributions to pension plan accruals of DM392 (1994: DM111) million, and the amortization of intangible assets resulting from acquisitions.

21 Restructuring charges and exit costs

Restructuring charges and exit costs comprise expenses for severance benefits including the related accruals and liabilities, exceptional write-downs, gains and losses resulting from disposals of property, plant, equipment and inventories, and accruals associated with plans to exit specified activities or to close facilities. Provisions for restructuring charges and exit costs are set up when the decision to exit the activities or close the facilities has been reached and the requisite measures have been defined.

DM1,823 (1994: DM2,299) million of the aggregate amount is accounted for by employee related costs.

Accruals and exceptional write-downs are included in this item to account for the closing of the Company's Hanau, Germany, facility.

22 Net income from investment in other companies

(in millions of DM)	1995	1994
Income from investment in other companies	131	84
Income under profit-and-loss transfer agreements	53	51
Share in earnings resulting from equity consolidation	351	268
Losses absorbed under profit-and-loss transfer agreements	(39)	(14)
	496	389

Net income from investment in other companies includes DM81 (1994: DM38) million of income from subsidiaries.

Earnings resulting from equity consolidation consist primarily of our share in the earnings of Bosch-Siemens Hausgeräte GmbH, Munich; GPT Holdings Ltd., London; and Equitel S.A., Curitiba, Brazil.

22 Net interest income

(in millions of DM)	1995	1994
Interest and similar income	2,386	2,731
Attributable to subsidiaries	[145]	[180]
Less interest and similar expenses	(704)	(796)
Attributable to subsidiaries	[32]	[39]
Interest cost component of allocation to pension plan accruals	(982)	(950)
	723	826

23 Other financial gains (losses)

(in millions of DM)	1995	1994
Other financial gains	624	1,463
Other financial losses	(291)	(1,215)
Write-downs on investments and on marketable securities	(73)	(362)
	260	886

Other financial gains and other financial losses include gains and losses resulting from the retirement of investments in other companies. In addition, these accounts include gains and losses resulting from the retirement of marketable securities as well as gains and losses on derivative interest rate and equity instruments.

Of total other financial gains (losses), gains of DM203 (1994: losses of DM38) million are accounted for by financing activities and gains of DM57 (1994: losses of DM76) million are due to investing activities.

24 Income taxes

(in millions of DM)	1995	1994
Income tax expense		
Germany (1995 income)	(50)	94
Foreign	531	542
	471	636
Deferred taxes	47	(175)
Tax expense on income from continuing operations	518	461
Income tax expense on extraordinary gain	-	29
	518	490

Income tax expenses include German corporate income and local income 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.

An income tax benefit was recorded in Germany due to the declining taxable income and the lower tax rate on the proposed dividend.

25 Personnel costs

(in millions of DM)	1995	1994
Wages and salaries	28,232	28,505
Statutory social welfare contributions and expenses for optional support payments	4,718	4,698
Expenses relating to pension plans and employee benefits	2,517	2,796
	35,467	35,999

The expenses relating to pension plans and employee benefits have been reduced by the interest cost component included in the allocation to pension plan accruals in the amount of DM982 (1994: DM950) million. This amount has been charged as an expense in arriving at the total of net interest income.

The average number of employees in fiscal 1995 was 376,100 (1994: 387,900). In this figure part-time employees no longer count as full units but are included on a proportionate basis. The prior year figures have been restated to achieve consistency. The employees were engaged in the following activities:

	1995	1994
Manufacturing	158,100	157,400
Sales and marketing	126,300	133,800
Research and development	44,700	47,300
Administration and general services	47,000	49,400
	376,100	387,900

27 Other taxes

Other taxes relate primarily to property taxes. They are recognized in the amount of DM356 (1994: DM359) million under functional costs.

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26 Segment information

Business segments	External sales in DM million		Intersegment sales in DM million		Total sales in DM million		Pretax income in DM million	
	1995	1994	1995	1994	1995	1994	1995	1994
Energy	13,139	11,955	1,113	1,124	14,252	13,079	64	137
Industry	17,975	16,159	5,469	5,278	23,444	21,437	702	119
Communications	18,395	19,623	1,193	804	19,588	20,427	645	1,134
Information	11,382	10,414	1,416	1,255	12,798	11,669	62	(319)
Transportation	7,699	7,219	68	98	7,767	7,317	(18)	201
Health care	6,728	7,490	49	58	6,777	7,548	100	239
Components	5,861	4,775	1,315	975	7,176	5,750	1,018	300
Lighting	5,389	5,383	55	59	5,444	5,442	340	291
Other	2,195	1,580	9	72	2,204	1,652	78	77
Consolidations					(10,687)	(9,723)	(8)	(93)
Total business segments	88,763	84,598	10,687	9,723	88,763	84,598	2,983	2,086
Other, consolidations							(381)	24
Siemens worldwide	88,763	84,598	10,687	9,723	88,763	84,598	2,602	2,110

Business segments	Assets in DM million		Capital expenditures in DM million		Depreciation and amortization in DM million	
	9/30/95	9/30/94	1995	1994	1995	1994
Energy	12,582	11,042	404	378	733	552
Industry	10,160	8,924	475	439	537	598
Communications	14,153	14,212	854	863	804	856
Information	11,729	10,794	426	442	478	550
Transportation	4,754	3,704	417	338	252	309
Health care	5,843	5,607	238	276	215	264
Components	5,957	4,488	1,563	894	653	574
Lighting	4,717	4,578	366	286	330	338
Other	5,563	6,088	659	543	466	376
Consolidations	(2,022)	(2,001)				
Total business segments	73,436	67,436	5,402	4,459	4,508	4,417
Other, consolidations	8,541	11,002	42	74	56	56
Siemens worldwide	81,977	78,438	5,444	4,533	4,564	4,473

For segment reporting purposes, related activities have been combined into business segments.

"Other" includes activities not traceable to business segments as well as our Corporate Services.

Pretax income is equal to income from continuing operations before income taxes. In accordance with the Company's internal principles of management control, the business segments' income includes general corporate expenses, interest, restructuring charges and exit costs.

The adjustments to reconcile the total of the business segments to the worldwide consolidated figures relate mainly to those investments which are accounted for centrally, and to liquid assets not attributable to the business segments. The resulting

gains or losses are also included within this reconciliation, together with the exceptional contributions to the pension plan accruals.

Geographic segments	Sales by customer location in DM million		Sales by company location in DM million		Pre-tax income in DM million		Assets in DM million	
	1995	1994	1995	1994	1995	1994	9/30/95	9/30/94
Germany	37,857	35,771	65,117*	59,438	771	725	47,938	46,507
Europe (excl. Germany)	23,145	21,848	23,438	23,093	1,224	1,139	19,481	17,547
Americas	14,175	14,813	14,349	15,027	328	31	12,469	12,531
Asia-Pacific	8,617	7,370	4,665	4,179	233	187	2,697	2,490
Other	4,969	4,796	833	798	49	58	608	513
Consolidations			(19,639)	(17,937)	(3)	(30)	(1,216)	(1,150)
Siemens worldwide	88,763	84,596	88,763	84,596	2,002	2,110	81,977	78,438

* Sales include exports to customers and subsidiaries totaling DM27,260 (1994: DM23,667) million shipped to the following regions: Europe (excluding Germany) DM12,035 (1994: DM10,470) million; Americas DM4,070 (1994: DM3,785) million; Asia-Pacific DM7,399 (1994: DM5,834) million; Other DM3,756 (1994: DM3,578) million.

Geographic segments	Capital expenditures in DM million		Depreciation and amortization in DM million	
	1995	1994	1995	1994
Germany	3,345	2,440	2,969	2,854
Europe (excl. Germany)	900	890	791	799
Americas	826	871	618	664
Asia-Pacific	25	285	165	133
Other	48	47	21	23
Siemens worldwide	5,444	4,633	4,564	4,473

Segment reporting by region shows the amounts accounted for by the consolidated companies in the geographic segment concerned. Dividends transferred to parent companies have been eliminated.

62 Consolidated financial statements

20 Remuneration of the Supervisory Board and the Managing Board, and loans granted

Provided that shareholders approve the proposed dividend at their Annual Shareholders' Meeting on February 22, 1996, the amount authorized to be paid for fiscal 1995 will be DM1.1 (1994: DM1.1) million for the Supervisory Board; DM16.1 (1994: DM17.2) million for the Managing Board; and DM20.4 (1994: DM20.5) million for former members of the Managing Board and their surviving dependents. Pension commitments to former members of the Managing Board and their surviving dependents are covered by an accrual of DM146.5 (1994: DM153.1) million.

Loans to members of the Managing Board totaled DM2.8 (1994: DM2.2) million (repaid in 1995: DM0.4 million). These loans bear interest of up to 6% and have contractual terms of up to 12 years.

The members of the Managing and Supervisory Boards of Siemens AG are listed on pages 68 and 69.

20 Guarantees and other commitments

(in millions of DM)	9/30/95	9/30/94
Discounted bills of exchange	171	305
Guarantees	354	194
Warranties	1,737	1,601
included therein warranties provided to subsidiaries	[14]	[4]
Collateral for third party liabilities	1	1

21 Leasing agreements

At September 30, 1995, we had payment obligations under real estate property leases and under long-term lease agreements for movable and immovable assets with an aggregate value of DM3,299 (1994: DM3,486) million, including DM75 million to nonconsolidated subsidiaries. Under the terms of the leases, the agreements do not transfer the effective ownership rights to the leased properties. They are therefore not capitalized in the consolidated financial statements.

Rental expense in 1995 totaled DM329 (1994: DM324) million. Total future payment obligations under leasing agreements are as follows (in millions of DM):

1996	1997	1998	1999	2000	thereafter
319	295	279	274	261	1,871

22 Derivative financial instruments

The Company uses both listed and over-the-counter (OTC) derivative financial instruments to hedge the interest rate and currency risks associated with its operational business as well as its investment and other financing activities. Where losses on derivative financial instruments are anticipated at the balance sheet date, accruals are set up to cover the net negative cash positions. Gains on net unrealized positive cash positions are not recognized.

(in millions of DM)	Notional amount		Fair value	
	9/30/95	9/30/94	9/30/95	9/30/94
Forward exchange contracts	23,947	15,292	357	146
Interest rate swaps and combined interest rate/currency swaps	6,125	2,878	52	(45)
Options	3,146	2,564	(18)	(30)
Other forward contracts	9,737	5,041	(7)	-
	42,955	25,775	382	71

The notional amount of derivative financial instruments is the sum of all purchases and sales. The fair value of such instruments is based on available quoted market prices or derived from such prices.

Our credit exposure to counterparties under outstanding derivative financial instruments net of offsetting agreements amounted to DM580 (1994: DM325) million. To minimize this credit risk we deal exclusively with creditworthy domestic and foreign banks and are increasingly using master netting agreements.

Other financial obligations

We are committed to making capital contributions of DM235 (1994: DM19) million to other companies, including DM221 (1994: DM15) million to subsidiaries. We are liable for contributions in the amount of DM947 (1994: DM728) million that were not fully paid in, including DM745 (1994: DM716) million to non-consolidated subsidiaries, as limited partners pursuant to §171 of the German Commercial Code.

We are jointly and severally liable and have capital contribution obligations as a partner in companies formed under the German Civil Code, through which we have concluded profit-and-loss transfer agreements with other companies, as partners in commercial partnerships and in a European Economic Community of Interests (EECI), as a former member of residential building cooperatives, and as a participant in various joint ventures.

Berlin and Munich, December 1, 1995

Siemens Aktiengesellschaft

The Managing Board

The consolidated financial statements, which we have audited in accordance with professional standards, comply with the German legal provisions. With due regard to the generally accepted accounting principles, the consolidated financial statements present a true and fair view of the Siemens group's assets, liabilities, financial position and earnings. The general review of the Managing Board is consistent with the consolidated financial statements.

Munich, December 6, 1995

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Lanfermann Dr. Hoyos
Wirtschaftsprüfer Wirtschaftsprüfer
(independent auditors)

Proposal for appropriation of net income available for distribution

1995 net income of Siemens AG available for distribution was DM727,846,067. At the Annual Shareholders' Meeting on February 22, 1996, we will propose that this net income be used to pay a dividend of DM13 on each share with a par value of DM50, based on the capital stock entitled to the dividend, and that the amount attributable to treasury stock be carried forward.

64 Principal subsidiaries and associated companies

at September 30, 1995

Sales¹
(DM million)

Earnings²
(DM million)

Shareholders' equity³
(DM million)

Siemens share %

I. Subsidiaries

Germany

Siemens Nixdorf Informationssysteme AG, Paderborn	4,250	443	2,606	100
Osram GmbH, Berlin and Munich	2,032	118	1,502	100
Vacuumschmelze GmbH, Hanau	415	21	102	100
Siemens Microelectronics Center GmbH & Co. OHG, Dresden	2	(137)	60	100
Siemens Finanzierungsgesellschaft für Informationstechnik mbH, Munich	55	251	2,308	100
Duewag AG, Krefeld-Uerdingen	905	(51)	83	98
Siemens Matsushita Components GmbH & Co. KG, Munich	800	125	198	50 ²¹

Europe

Siemens S.A., Saint-Gilles (Brussels)	1,232	39	429	100
Siemens A/S, Ballerup (Copenhagen)	397	8	83	100
Siemens Osakeyhtiö, Espoo (Helsinki)	305	15	57	100
Siemens S.A., Saint-Denis (Paris)	814	6	72	100
Siemens A.E., Elektrotechnische Projekte und Erzeugnisse, Athens	166	9	56	100
Siemens plc, Bracknell (London) ²²	1,405	24	204	100
Siemens Ltd., Dublin	110	3	8	100
Siemens S.p.A., Milan	1,302	.	109	100
Siemens Nederland N.V., The Hague ²³	1,151	37	279	100
Siemens A/S, Oslo ²³	703	8	165	100
Siemens AG Österreich, Vienna ²³	3,321	95	378	74
Siemens S.A., Lisbon ²³	603	33	205	100
Siemens AB, Stockholm	498	2	19	100
Siemens-Elerna AB, Solna (Stockholm)	485	40	164	100
Siemens-Albis AG, Zurich ²³	1,563	47	364	78
Siemens S.A., Madrid	696	2	119	100
Simko Ticaret ve Sanayi A.Ş., Istanbul	308	11	35	75
Siemens Rt., Budapest	108	(6)	35	92
Siemens Nixdorf Informatiek Systems S.A./N.V., Brussels	389	11	158	100
Siemens Nixdorf Information Systems S.A., Cergy (Paris) ²³	429	(52)	40	100
Siemens Nixdorf Information Systems Ltd., Bracknell (London)	444	1	29	100
Siemens Nixdorf Informatica S.p.A., Milan	376	.	49	51
Siemens Nixdorf Informatiesystemen B.V., Zoetermeer/Netherlands	203	9	61	100
Siemens Nixdorf Informationssysteme Ges.m.b.H., Vienna	443	1	81	100
Siemens Nixdorf Informationssysteme AG, Kloten (Zurich)	271	5	33	100
Siemens Nixdorf Sistemas de Información S.A., Tres Cantos (Madrid)	376	(3)	189	100
Osram S.A., Molsheim/France	288	4	58	100
Osram Ltd., Wembley (London)	176	.	43	100
Osram Società Riunite Osram Edison-Clerici S.p.A., Milan	408	.	63	100

¹ These figures comply with the financial statements prepared in accordance with the specific generally accepted accounting principles in each country and do not reflect the amounts included in the consolidated financial statements. Shareholders' equity and earnings are translated at the year-end current rate, and sales are translated at the average rate for the year.

²¹ Subsidiary pursuant to §290, par. 2(1) of the German Commercial Code

²² Sales, shareholders' equity and earnings according to the consolidated financial statements

²³ The company was formed in March 1995 and will prepare its first financial statements as of December 31, 1995.

²⁴ Not a subsidiary pursuant to §290 of the German Commercial Code

at September 30, 1995	Sales ¹⁾ (DM million)	Earnings ²⁾ (DM million)	Shareholders' equity ³⁾ (DM million)	Siemens share %
Americas				
Siemens U.S. (consolidated financial statements) including: Siemens Automotive Corporation, Newport News/VA Siemens Communication Systems, Inc., Boca Raton/FL Siemens Components, Inc., Iselin/NJ Siemens Energy & Automation, Inc., Atlanta/GA Siemens Medical Systems, Inc., Iselin/NJ Siemens Power Corporation, Bellevue/WA Siemens Rolm Communications, Inc., Santa Clara/CA Siemens Transportation Systems, Inc., Iselin/NJ Siemens Nixdorf Information Systems, Inc., Burlington/MA OSRAM SYLVANIA INC., Danvers/MA	11,484	32	2,122	100
Siemens Electric Ltd., Mississauga (Ontario)	847	(16)	124	100
Siemens S.A. de C.V., Mexico City ³⁾	164	13	82	100
Osram S.A. de C.V., Tultitlán/Mexico	38	(1)	3	100
Siemens S.A., Buenos Aires	597	24	116	100
Siemens S.A., São Paulo ³⁾	644	(12)	565	83
Siemens S.A., Bogotá	114	8	62	94
Siemens S.A., Caracas	42	3	4	100
Osram Argentina S.A.C.I., Buenos Aires	74	(5)	32	66
Osram do Brasil-Companhia de Lâmpadas Elétricas S.A., Osasco	138	4	67	100
Asia-Pacific				
Siemens Ltd., Richmond (Melbourne) ³⁾	410	14	58	100
Siemens Ltd., Bombay	394	15	118	51
Siemens K.K., Tokyo	307	16	63	83
Siemens Components (Advanced Technology) Sdn. Bhd., Malacca/Malaysia ³⁾	858	21	130	100
Siemens Pakistan Engineering Co. Ltd., Karachi	107	9	28	64
Siemens Components (Pte) Ltd., Singapore	1,310	37	173	100
Siemens Telecommunication Systems Ltd., Taipei ³⁾	183	6	187	60
Osram-Melco Ltd., Yokohama	228	(2)	67	51
Other				
Siemens Ltd., Johannesburg ³⁾	1,005	18	156	52
II. Associated companies				
Germany				
Bosch-Siemens Hausgeräte GmbH, Munich	5,839	155	900	50
Linotype-Hell AG, Eschborn	693	4	303	33
Tela Versicherung Aktiengesellschaft, Berlin and Munich	495	18	306	50
International				
GPT Holdings Ltd., London ³⁾	2,497	197	920	40
Telsi Ltd., London ⁴⁾			2,514	50
Siecor Corporation, Hickory/NC ³⁾	955	62	296	50
Equitel S.A. Equipamentos e Sistemas de Telecomunicações, Curitiba/Brazil	409	33	256	80 ⁵⁾

Amounts in millions of DM, unless stated otherwise

Assets/funds employed	September 30,	1995	1994	1993	1992	1991*
Siemens worldwide						
Noncurrent assets		23,057	21,448	20,922	19,833	19,389
Current assets (excl. liquid assets)		34,788	33,074	32,747	31,689	31,513
Liquid assets		24,132	23,916	21,813	19,677	18,566
Total assets		81,977	78,438	75,482	71,199	69,468
Paid-in capital		11,414	11,410	11,404	11,388	8,883
Retained earnings and minority interest		11,077	10,400	9,122	7,892	9,766
Total equity		22,491	21,810	20,526	19,280	18,649
Pension plan accruals		17,747	16,669	16,012	14,761	13,957
Other accrued liabilities		20,471	21,202	20,322	20,680	20,137
Total accrued liabilities		38,218	37,871	36,334	35,441	34,094
Debt		5,141	4,518	4,645	4,531	4,575
Other liabilities		16,127	14,239	13,977	11,947	12,150
Total liabilities		61,077	58,426	55,632	51,990	50,449
Earnings/dividend/yield		1995	1994	1993	1992	1991*
Siemens worldwide						
Pretax income before financial results		1,146	850	1,057	2,223	
Financial results		1,456	1,260	1,855	974	
Pretax income		2,602	2,110	2,912	3,197	3,419
Income taxes		518	461	930	1,242	1,627
Income after income taxes		2,084	1,649	1,982	1,955	1,792
Extraordinary gain net of taxes		-	344	-	-	-
Total income		2,084	1,993	1,982	1,955	1,792
Return on shareholders' equity		9.4%	9.4%	10.0%	10.0%	9.9%
Total dividend of Siemens AG		728	728	728	727	686
Dividend per share (in DM)		13	13	13	13	13
Cash flows/liquidity		1995	1994	1993	1992	
Cash provided by operating activities		5,394	7,166	9,203	8,991	
Cash used in investing activities		(6,693)	(4,287)	(5,635)	(7,591)	
of which: capital spending		(7,465)	(5,721)	(6,674)	(8,574)	
Cash provided by (used in) financing activities		1,557	(393)	(1,261)	375	
of which: redemption of bonds		(29)	(1,183)	-	1,088	
Total cash flow		2,179	2,103	2,137	1,769	

* Prior year not made comparable
 ** Without temporary student workers and trainees
 *** Part-time employees included on a proportionate basis

New orders	1995	1994	1993	1992	1991
German business	38,049	35,100	37,830	40,174	36,746
International business	53,851	53,271	46,306	45,236	45,420
Siemens	91,900	88,371	84,136	85,410	82,166
Change over prior year	+4%	+5%	-1%	+4%	+21%

Sales	1995	1994	1993	1992	1991
German business	37,857	35,771	37,271	36,475	33,263
International business	50,906	48,827	44,377	42,034	39,745
Siemens	88,763	84,598	81,648	78,509	73,008
Change over prior year	+5%	+4%	+4%	+8%	+16%

Employees** (in thousands) September 30,	1995***	1994***	1993	1992	1991
German operations	211	218	238	253	243
International operations	162	158	153	160	159
Siemens	373	376	391	413	402

Personnel costs	1995	1994	1993	1992	1991*
Siemens	36,487	35,891	38,247	37,038	31,817

Capital spending	1995	1994	1993	1992	1991
in Germany	3,478	2,649	2,909	5,861	3,332
International	3,987	3,072	3,765	2,713	2,263
Siemens	7,465	5,721	6,674	8,574	5,595
Acquisition of investments	2,021	1,188	1,881	3,014	592
Capital expenditures	5,444	4,533	4,793	5,560	5,003
Depreciation of fixed assets	4,564	4,473	4,560	4,613	4,400
as a percent of capital expenditures	84%	99%	95%	83%	88%

Research and development	1995	1994	1993	1992	1991*
Siemens	7,274	7,385	7,300	7,192	7,262
as a percent of sales	8.2%	8.9%	9.3%	9.6%	10.8%

Siemens AG
Balance sheet
and statement of income
 in billions of DM (condensed version)

	1995	1994
Net sales	60.6	55.5
Cost of sales	(45.4)	(41.4)
Gross profit on sales	15.2	14.1
Other functional costs	(15.8)	(15.3)
Other income/expenses	1.6	2.1
Income before income taxes	1.0	0.6
Income taxes	0.1	(0.1)
Net income	1.1	0.7

as of September 30,	1995	1994
Fixed assets	5.6	6.0
Investments	21.3	20.1
Current assets and provisions	25.7	25.1
Inventories	2.1	1.0
Accounts receivable	21.1	20.7
Securities, liquid assets	11.6	11.2
Total assets	52.6	51.2
Shareholders' equity	20.7	20.4
Accrued liabilities and special reserves	29.6	29.4
Debt	0.8	0.6
Other liabilities	10.6	8.6
Total liabilities	31.7	29.4

The annual financial statements of Siemens AG have received an unqualified audit opinion from KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, and will be published in the German Federal Gazette and filed with the Commercial Registries of the Berlin-Charlottenburg and Munich District Courts.

These financial statements can be obtained in German free of charge from Siemens AG, Infoservice UK/Z130, P.O. Box 7240, D-100713 Fürth, Germany.

68 | The Company

Managing Board

Heinrich v. Pierer, Dr. jur.
President
and Chief Executive Officer
Planning and Development
Special responsibilities: SNI, UK, WPA

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

Volker Jung, Dr. Eng. h. c.
Special responsibilities: HL, ON, PN, SI, VS,
Africa, Middle East, C.I.S.

Walter Kunerth, Prof. Dr.-Ing.
Production and Logistics
Special responsibilities: ZFE, ASI, AT, EC, PR

Horst Langer, Dr.-Ing.
Special responsibilities: ANL, Med, VT,
Osram, America

Werner Maly
Human Resources
Special responsibilities: PD

Jürgen Radomski
Special responsibilities: ID,
Europe

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

Groups

Power Generation (KWU)
Adolf Hüttl
Hans Böhm, Dr.-Ing. E. h.
Andreas Kley

**Power Transmission
and Distribution (EV)**
Horst Brase
Folker W. Tannenbergl, Dr.-Ing.
Klaus Voges

**Industrial and
Building Systems (ANL)**
Eberhard Kill
Hans-Wolfgang Scheler
Gerhard Wibiral

**Drives and Standard Products
(ASI)**
Herbert H. Steffen
Reinhard Bubendorfer
Hans M. Strehle

Automation (AUT)
Manfred v. Raven
Günther Fritsch
Karl-Heinz Sämmling, Dr.-Ing.

**Public Communication
Networks (ON)**
Peter Pribilla
Hans-Walter Bernsau
Helmut von Deimling
Roland Koch

**Private Communication
Systems (PN)**
Dietrich Botsch, Dr.-Ing.
Jost Hammerschmidt, Dr. rer. pol.
Werner Schmücking

Defence Electronics (SI)
Helmuth Wiesner
Benno Franzreb

Transportation Systems (VT)
Wolfram O. Martensen
Siegfried Franke
Gerhard Wahl

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

Medical Engineering (Med)
Erich Reinhardt, Prof. Dr.-Ing.
Robert V. Dumke
Götz Steinhardt

Semiconductors (HL)
Jürgen Knorr
Volkhard P. Matthäus

**Passive Components
and Electron Tubes (PR)**
Klaus Ziegler
Bodo Lüttge, Dr. oec. publ.

**Electromechanical
Components (EC)**
Manfred Kasserra, Dr. rer. pol.
Helmut Brauneis

Special division
Network Systems (VS)
Ludwig Hoffmann, Dr.-Ing.

Separate legal units

**Siemens Nixdorf
Informationssysteme AG (SNI)**
Gerhard Schulmeyer
Alfred Nowosad
Peter Pagé, Dr.-Ing.

Osram GmbH
Wolf-Dieter Bopst, Dr. oec. publ.
Heinz-Peter Mohr
Jörg Schaefer, Dr.-Ing.

Regional organization Regional offices, international Siemens companies, sales companies, representative offices, agencies

Hans Günter Danielmeyer,
Prof. Dr. rer. nat.

Research and Development

Adolf Hüttl

KWU

Eberhard Kill

ANL

Jürgen Knorr

HL

Wolfram O. Martinsen

VT

Peter Pribilla

ON

Erwin Hardt, Dr. oec. publ.

(until September 30, 1995)

Corporate departments

Finance (ZF)

Karl-Hermann Baumann, Dr. rer. oec.

Gerhard Kluth, Dr. rer. pol.

Karl Heinz Midunsky

Peter Niehaus

Albrecht Schäfer, Dr. jur.

Thomas Seeborg, Dr. rer. pol.

Corporate offices

Corporate Communications

(UK)

Eberhard Posner, Dr. rer. oec.

Economics and Corporate

Relations (WPA)

Bernd Stecher, Dr. sc. pol.

Research and Development

(ZFE)

Hans Günter Danielmeyer,

Prof. Dr. rer. nat.

Horst Fischer, Dr. rer. nat.

Claus Weyrich, Prof. Dr. phil.

Corporate services

Infrastructure Services (ID)

Dieter Briese

Human Resources (ZP)

Werner Maly

Günther G. Goth

Walter Schusser, Dr. rer. pol.

Personnel Services (PD)

Karl Meister, Dr. rer. pol.

Production and Logistics (Z L)

Walter Kunerth, Prof. Dr.-Ing.

Bruno Freund

Ernst Wilhelm Müller

Planning and Development

(ZU)

Heinrich v. Pierer, Dr. jur.

Hansjörg Franzius, Dr.-Ing.

Michael Mirow, Dr. rer. pol.

Ulrich Ziemann, Dr. rer. pol.

Interim report for first quarter	Jan. 23, 1996
Annual Shareholders' Meeting Munich, Olympiahalle, 10:00 a.m.	Feb. 23, 1996
Ex-dividend date	Feb. 23, 1996
Interim report for six months	April 24, 1996
Summer Press Conference and interim report for nine months	July 16, 1996
Preliminary figures for fiscal year	Nov. 5, 1996
Balance Sheet Press Conference	Dec. 12, 1996

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Order No. A19100 F-A558 X-7600

This Annual Report is
also available in French,
German and Spanish.
Abbreviated versions have
been prepared in Chinese,
Czech, Japanese, Polish
and Russian.

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