SIEMENS AKTIENGESELLSCHAFT
Form 6-K
January 31, 2003

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FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For January 31, 2003

Commission File Number: 1-15174

Siemens Aktiengesellschaft
(Translation of registrant s name into English)

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

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

Form 20-F x Form 40-F o

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

Yes o No x

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

Yes o No x

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

Yes o No x

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

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Siemens AG

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Management s Discussion and Analysis

Siemens financial results are reported in accordance with U.S. GAAP. To help shareholders follow our growth and progress, the presentation of our worldwide financial results is enhanced by a component model presentation that presents the worldwide results for our operating business separately from the results for our financing and real estate activities and the effects of eliminations, reclassifications and Corporate Treasury. These components contain our reportable segments. The three components of Siemens worldwide are as follows:

Operations This component is defined as Siemens 13 operating segments (groups) including corporate headquarters and excluding the activities of the Financing and Real Estate segments and Corporate Treasury.

Financing and Real Estate This component includes the Siemens Financial Services and Siemens Real Estate segments. These businesses are responsible for our leasing, finance and real estate management activities.

Eliminations, reclassifications and Corporate Treasury The third component included in our consolidated financial statements enhances the transparency of the other components by separately capturing the elimination of transactions among Operations and Financing and Real Estate, as well as certain reclassifications. This component also includes our Corporate Treasury activities.

Effective December 2001, we no longer consolidate Infineon in our financial results. Instead we account for Infineon as an investment using the equity method. Accordingly, our net investment in Infineon is included in our consolidated balance sheet under long-term investments, and we report our share of Infineon s net income or loss in our consolidated income statement as part of investment income (see Notes to the consolidated financial statements). The consolidated results of operations and cash flows of Infineon for the first two months of fiscal 2002 (before the deconsolidation occurred) are in Eliminations, reclassifications and Corporate Treasury.

Our thirteen Operations business groups involve manufacturing, industrial and commercial solutions and services related more or less to our origins in the electrical business. We refer to these groups as our Operations to distinguish them from our financial services and real estate activities. We measure the profitability of our Operations component and of our groups by EBIT. EBIT is the measure used by our Managing Board as the chief operating decision maker for the Company in assessing performance. EBIT is also the basis for calculating Economic Value Added (EVA) for Operations, which in turn is part of the determination of the amount of executive incentive compensation in accordance with our company-wide bonus program. Therefore, we believe that EBIT enhances investor s understanding of our Operations because we consider it the best measure of our groups operational performance. Other companies that use EBIT may calculate it differently, and their figures may not be comparable to ours.

EBIT for our Operations component is defined as earnings before financing interest and income taxes, and excludes certain one-time items (see Corporate, Eliminations (Operations) and Reconciliation to Financial Statements Reconciliation to Financial Statements), which are deemed by the chief operating decision maker, the Managing Board, to not relate to the business performance of the Operations component. EBIT for groups is defined as earnings before financing interest, certain pension costs and income taxes and excludes certain one time items, which do not relate to the business performance of the groups. Financing interest is any interest income other than interest income related to receivables from customers, from cash allocated to the groups and interest expense on payables. We believe that it is appropriate to exclude financing interest from EBIT because decision-making regarding financing is typically made centrally in Corporate Treasury. Similarly, income taxes are excluded from EBIT since tax expense is subject to legal structures which typically do not correspond to the structure of our Operating groups. As a result, increases or decreases in EBIT reflect only the operational performance of the operations, as defined by the Managing Board, without regard to these effects. For further information on segment EBIT, see also Notes to the consolidated financial statements. In contrast, we assess the profitability of our Financing and Real Estate component by income before income taxes since interest expense and income is an important source of expense and revenue for this component.

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Net capital employed is the asset measure used to assess the capital intensity of our Operations component and our groups. It represents total assets less tax related assets, less accruals and less non-interest bearing liabilities other than tax related liabilities. For further information regarding Net capital employed, see Notes to the consolidated financial statements.

Results of Siemens Worldwide First quarter of fiscal 2003 compared to first quarter of fiscal 2002

Sales decreased 10% to 18.845 billion compared to 20.986 billion and orders decreased 21% to 20.145 billion compared to 25.390 billion the same quarter a year earlier. Excluding the effects of currency translation, acquisitions and dispositions, sales decreased 1% and orders were 13% lower year over year. Sequentially, and excluding currency effects and the net effect of acquisitions and dispositions, sales decreased 9% and orders increased 6% compared to the fourth quarter of fiscal 2002. The most significant currency to which the Company is exposed is the U.S. dollar.

Gross profit as a percentage of sales in the first quarter of fiscal 2003 increased by more than one percentage point to 28.0% compared to 26.9% in the same period in the prior year. Gross profit margin from Operations increased, as the group s cost-cutting efforts outpaced the decline in sales. ICN realized higher gross margins on software contracts and continued cost-cutting resulting in increased gross margin, despite severance charges. PTD, TS, SV, Osram and Med posted improved gross profit margins due to increased productivity, as SD did due to continuing improvements in project management. In contrast, gross profit margin decreased at PG as a result of higher inventory allowances and at I&S due to severance charges. The prior year included effects from the consolidation of two months of the results of Infineon which was deconsolidated in December 2001. Infineon s relatively low gross profit margin significantly impacted gross profit margin in the first quarter of the prior year.

Research and development (R&D) expenses decreased from 1.547 billion to 1.295 billion compared to first quarter in the prior year, primarily due to the two month consolidation of Infineon last year and declined in line with the decrease in sales at several groups. R&D spending represented 6.9% of sales, compared to 7.4% in the first quarter of last year.

Marketing, selling and general administrative expenses were 3.508 billion in the first quarter of fiscal 2003 compared to 3.901 billion in the same period a year ago. This figure represents 18.6% of sales, unchanged compared to the first quarter of last year.

Other operating income (expense), net was 215 million compared to 391 million in the first quarter of fiscal 2002. The first quarter in fiscal 2002 included gains of 332 million resulting from Infineon share sales. Income (loss) from investments in other companies, net was 4 million compared to a negative 22 million in the prior year. The current year includes higher income from investments at Siemens Financial Services (SFS) partly offset by write-downs of venture capital and other investments at ICN totaling 25 million. Income (expense) from financial assets and marketable securities, net was a positive 27 million compared to a negative 29 million in the same period last year. Interest income (expense) of Operations, net was a positive 13 million compared to net interest expense of 18 million a year earlier, primarily due to declining interest rates and lower average interest-bearing liabilities. Other interest income, net was 76 million compared to 42 million last year reflecting in part lower interest rates on debt.

Net income in the first quarter was 521 million, including a negative 17 million related to our ownership of shares in Infineon Technologies AG. Net income in the same quarter a year ago was 538 million. The prior year includes a net effect related to Infineon of a positive 157 million, including gains on the sale of Infineon shares.

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Net cash from operating and investing activities for the first quarter was a negative 1.137 billion compared to a positive 307 million in the comparable period last year. Net cash provided by operating activities for the first quarter was a negative 685 million compared to a negative 86 million in the first quarter a year ago. The current period reflects a supplemental cash contribution of 442 million to Siemens pension trusts in Germany and the U.K. Investing activities used 452 million compared to cash provided of 393 million in the same period a year ago. Proceeds from sales and dispositions of businesses was significantly lower at 52 million in the current quarter, compared to proceeds of 1.272 billion in the first quarter a year ago.

EBIT from Operations was 604 million compared to 487 million in the same quarter a year ago. EBIT includes a net gain at the Power Generation group (PG) of 125 million from the effect of project cancellations, net of certain inventory allowances. Both periods include charges for severance and asset write downs of 115 million and 147 million for the quarters ending December 31, 2002 and 2001, respectively. Quarterly non-allocated pension-related expense was higher, as expected, at 198 million compared to 63 million in the first quarter of the prior year.

Earnings per share for the first quarter of fiscal 2003 were 0.59 compared to 0.61 in the same period a year earlier.

On October 1, 2002, Siemens adopted Statement of Accounting Financial Standards (SFAS) 143, *Accounting for Asset Retirement Obligations*, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. As a result of the adoption of SFAS 143, income of 59 million (36 million net of income taxes, or 0.04 per share) was recorded as a cumulative effect of a change in accounting principle. See Note 16 to the consolidated financial statements for further information.

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SEGMENT INFORMATION ANALYSIS   First quarter of 2003 compared to first quarter of 2002

OPERATIONS

Information and Communications

Information and Communication Networks (ICN)

ICN Performance Data	Change	First quarter ended December 31, 2002	2001
		(in millions)	
EBIT	22%	(151)	(124)
EBIT margin		(8.4)%	(4.9)%
Total sales	(29)%	1,804	2,540
New orders	(26)%	1,940	2,627
Net cash from operating and investing activities		33	(187)

	Dec. 31, 2002	Sept. 30, 2002
Net capital employed	905	1,100
Employees (in thousands)	38	39

ICN continued to address the steep downturn in telecommunications infrastructure investment, particularly by carriers in Germany and the Americas. EBIT of negative 151 million included 24 million of severance charges and 25 million in write-downs of venture capital and other investments. In comparison, ICN had EBIT of negative 124 million in the same quarter a year earlier, when severance charges and asset write-downs totaled 76 million. The Enterprise Networks division was profitable and increased its first-quarter EBIT year-over-year, while sales declined due to the effects of dispositions and more selective order intake. ICN s Carrier Networks and Services business posted negative earnings on lower business volume compared to the same period a year earlier, but losses were lower than in recent quarters, due to a better product mix driven by software-related contracts. While ICN s overall first-quarter sales of 1.804 billion were 29% lower than a year earlier, approximately ten percentage points of the change resulted from a combination of currency translation effects and the deconsolidation of its Unisphere Networks, Inc. and Network Systems businesses which were sold in the fourth quarter of fiscal 2002. Orders fell 26% year-over-year, to 1.940 billion. The group expects to continue its Profitability and Cash Turnaround (PACT) cost-cutting program in 2003, and to incur associated severance expenses.

Net capital employed at December 31, 2002 decreased to 905 million, from 1.100 billion at the end of fiscal 2002, primarily due to reductions in investments and in property, plant and equipment. Reduced capital expenditures, also contributed in large part to the improvement in net cash from operating and investing activities to 33 million from a negative 187 million in the first quarter of last year. Cash flow will be negatively impacted in future periods due to severance programs. EVA improved compared to the first quarter a year ago, but remained negative.

Information and Communications Mobile (ICM)

ICM Performance Data	Change	First quarter ended December 31, 2002	2001
		(in millions)	
EBIT	59%	59	37

EBIT margin		2.1%	1.2%
Total sales	(9)%	2,856	3,127
New orders	(24)%	2,509	3,318
Net cash from operating and investing activities		(112)	(396)

	Dec. 31, 2002	Sept. 30, 2002
Net capital employed	2,141	1,973
Employees (in thousands)	28	29

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ICM increased its first-quarter EBIT to 59 million from 37 million a year earlier, when the group took severance charges totaling 49 million at the Mobile Networks division. In the current period, the Mobile Phones division contributed EBIT of 52 million on sales of 1.309 billion, up from EBIT of 20 million in the first quarter a year earlier. The division improved profitability with the introduction of new, design-to-cost handsets, and increased sales for the Christmas quarter year-over-year with a record sell-in of 11.0 million phones. The Cordless Products and Wireless Modules divisions also contributed to earnings growth for the quarter. In contrast, continued price erosion and declines in demand led to a loss of 25 million on sales of 1.199 billion at the Mobile Networks division, compared to EBIT of 8 million in the same quarter of the prior year. Due to significant volume decreases at Mobile Networks, sales for ICM as a whole fell 9% from the same quarter a year ago, to 2.856 billion, and orders dropped 24%, to 2.509 billion.

Net capital employed at December 31, 2002 was 2.141 billion, compared to 1.973 billion at the end of fiscal 2002. Net cash from operating and investing activities improved to a negative 112 million compared to a negative 396 million for the first quarter of last year, due to a net improvement in working capital development. Cash flow will be negatively impacted in future periods due to payments related to planned headcount reduction activities and due to commitments to extend customer financing in the Networks division. EVA improved, but remained negative.

Siemens Business Services (SBS)

SBS Performance Data	**Change**	**First quarter ended December 31, 2002**	**2001**
		(in millions)	
EBIT	(63)%	12	32
EBIT margin		0.9%	2.2%
Total sales	(14)%	1,267	1,467
New orders	(27)%	1,394	1,900
Net cash from operating and investing activities		(101)	(88)

	Dec. 31, 2002	**Sept. 30, 2002**
Net capital employed	371	264
Employees (in thousands)	35	34

EBIT at SBS fell to 12 million from 32 million in the first quarter a year earlier. In a weak market for information technology services, particularly in SBS important German market, the group s sales fell 14% year-over-year, to 1.267 billion, and orders dropped 27%, to 1.394 billion.

Net capital employed increased from 264 million at the end of fiscal 2002 to 371 million at December 31, 2002. Net cash from operating and investing activities was a negative 101 million compared to a negative 88 million for the first quarter of last year. EVA turned negative.

Automation and Control

Automation and Drives (A&D)

A&D Performance Data	**Change**	**First quarter ended December 31, 2002**	**2001**
		(in millions)	
EBIT	3%	179	173
EBIT margin		9.0%	8.8%

Total sales	1%	1,982	1,958
New orders	(6)%	2,234	2,365
Net cash from operating and investing activities		163	(13)

	Dec. 31, 2002	**Sept. 30, 2002**
Net capital employed	2,208	2,197
Employees (in thousands)	51	51

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A&D increased its EBIT contribution and EBIT margin compared to the first quarter a year ago, despite a continuing slowdown in capital expenditures in the manufacturing sectors of the U.S. and Europe. EBIT rose to 179 million, compared to EBIT of 173 million in the first quarter of fiscal 2002, and EBIT margin was 9.0%. Sales for the period increased 1% year-over-year, to 1.982 billion, while orders declined to 2.234 billion due primarily to currency translation effects.

Net capital employed at December 31, 2002 was 2.208 billion, compared to 2.197 billion at the end of fiscal 2002. Net cash from operating and investing activities increased to 163 million compared to a negative 13 million for the first quarter of last year, primarily due to improved working capital management. This effect also led to a significant increase in EVA compared to the first quarter in fiscal 2002.

Industrial Solutions and Services (I&S)

I&S Performance Data	Change	First quarter ended December 31, 2002	2001
		(in millions)	
EBIT		(33)	2
EBIT margin		(3.6)%	0.2%
Total sales	(11)%	929	1,040
New orders	(8)%	1,067	1,165
Net cash from operating and investing activities		(43)	(100)

	Dec. 31, 2002	Sept. 30, 2002
Net capital employed	288	315
Employees (in thousands)	28	29

I&S posted EBIT of negative 33 million compared to positive 2 million in the same period a year earlier. During the current period, I&S incurred 31 million in additional expenses, primarily for severance and payments related to favorable renegotiation of employment contracts. First-quarter sales declined 11% year-over-year, to 929 million, and orders declined 8% to 1.067 billion.

Net capital employed at December 31, 2002 was 288 million, compared to 315 million at the end of fiscal 2002. Net cash from operating and investing activities was a negative 43 million compared to a negative 100 million for the first quarter of last year. Cash flow will be negatively impacted in future periods due to continuing severance programs. I&S s negative EVA decreased compared to the first quarter a year ago.

Siemens Dematic (SD)

SD Performance Data	Change	First quarter ended December 31, 2002	2001
		(in millions)	
EBIT	9%	12	11
EBIT margin		1.9%	1.4%
Total sales	(23)%	622	804
New orders	(20)%	612	763
Net cash from operating and investing activities		(89)	(63)

	Dec. 31, 2002	Sept. 30, 2002

Net capital employed	1,071	975
Employees (in thousands)	11	12

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SD held EBIT level at 12 million, compared to 11 million in the same period a year earlier. The group s Electronics Assembly Systems division continued to battle the effects of overcapacity in the global telecommunications equipment market, the Material Handling Automation division faced slowing market growth in Europe, and the Postal Automation division was affected by lower demand in the U.S. These factors contributed to a 23% drop in sales, to 622 million, while orders fell 20%, to 612 million. Nevertheless the group s EBIT margin improved by more than half a percentage point, benefiting from productivity programs and improved project execution.

Net capital employed at December 31, 2002 was 1.071 billion, compared to 975 million at the end of fiscal 2002. Net cash from operating and investing activities was a negative 89 million compared to a negative 63 million for the first quarter of last year. EVA decreased and remained negative.

Siemens Building Technologies (SBT)

SBT Performance Data	**Change**	**First quarter ended December 31,**	
		2002	**2001**
		(in millions)	
EBIT	(4)%	43	45
EBIT margin		3.6%	3.4%
Total sales	(8)%	1,206	1,312
New orders	(10)%	1,254	1,397
Net cash from operating and investing activities		(36)	(84)

	Dec. 31, 2002	**Sept. 30, 2002**
Net capital employed	1,802	1,778
Employees (in thousands)	34	36

SBT had first-quarter EBIT of 43 million after charges for severance and plant closings totaling 13 million. While EBIT was lower than the prior-year level of 45 million, SBT improved its EBIT margin year-over-year, in particular with increased profitability at its Heating, Ventilation and Air Conditioning (HVAC) Products division. Sales for the quarter declined 8% year-over-year, to 1.206 billion, and orders were down 10%, at 1.254 billion. Approximately five percentage points of the decline in both sales and orders were due primarily to currency translation and deconsolidation effects.

Net capital employed at December 31, 2002 was 1.802 billion, compared to 1.778 billion at the end of fiscal 2002. Net cash from operating and investing activities was a negative 36 million compared to a negative 84 million for the first quarter of last year, primarily due to effects from accounts payable. Cash flow will be negatively impacted in future periods due to severance programs. EVA increased, but remained negative.

Power

Power Generation (PG)

PG Performance Data	**Change**	**First quarter ended December 31,**	
		2002	**2001**
		(in millions)	
EBIT	35%	409	302
EBIT margin		22.9%	14.2%
Total sales	(16)%	1,785	2,134

New orders	(45)%	2,270	4,093
Net cash from operating and investing activities		(46)	399

	Dec. 31, 2002	**Sept. 30, 2002**
Net capital employed	296	(144)
Employees (in thousands)	25	26

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PG led all Siemens groups with EBIT of 409 million, a 107 million increase compared to the first quarter of fiscal 2002. Earnings for the current period benefited from a net gain of 125 million from the effect of project cancellations, net of certain allowances on inventory. This gain contributed to the rise in first-quarter EBIT margin year-over-year, from 14.2% to 22.9%. Sales for the quarter fell 16% compared to the same period a year earlier, to 1.785 billion. More than seven percentage points of PG s sales decline resulted from currency translation effects, in particular related the U.S. dollar, and the sale of PG s ceramics business between the two periods under review. Orders of 2.270 billion for the quarter came in below the record-setting first-quarter level a year ago, when PG booked approximately 1.0 billion of orders from two customers in the Middle East. In the current period, PG booked substantial gas turbine orders and also bolstered its growing backlog of service contracts. While PG s order backlog overall declined from 20.1 billion at the end of fiscal 2002 to 18.6 billion at the close of the first quarter, more than half of the net change resulted from currency translation effects.

Net capital employed at December 31, 2002 increased to 296 million, compared to a negative 144 million at the end of fiscal 2002, primarily due to lower customer prepayments. This effect was also evident in net cash from operating and investing activities of a negative 46 million compared to a positive 399 million for the first quarter of last year. EVA improved on higher profitability despite higher assets.

Power Transmission and Distribution (PTD)

PTD Performance Data	Change	First quarter ended December 31, 2002	First quarter ended December 31, 2001
		(in millions)	
EBIT	100%	40	20
EBIT margin		5.0%	2.0%
Total sales	(20)%	802	1,002
New orders	(33)%	1,109	1,649
Net cash from operating and investing activities		58	(18)

	Dec. 31, 2002	Sept. 30, 2002
Net capital employed	926	928
Employees (in thousands)	17	17

PTD doubled its EBIT to 40 million compared to the first quarter of fiscal 2002, when its Metering business was unprofitable and the group took severance charges totaling 22 million. With the sale of Metering in the fourth quarter of the previous year, and increases in profitability at a majority of PTD s remaining divisions, the group raised its EBIT margin by three full percentage points compared to the prior-year quarter, to 5.0%. The effects of currency translation and dispositions accounted for nearly all of the 20% year-over-year reduction in first-quarter sales, to 802 million. The group s 33% decline in orders, to 1.109 billion, is largely attributable to comparison with the first quarter of fiscal 2002, when order bookings were unusually high at both the High Voltage and Transformer divisions.

Net capital employed at December 31, 2002 was 926 million, compared to 928 million at the end of fiscal 2002. Net cash from operating and investing activities improved to 58 million compared to a negative 18 million for the first quarter of last year due to improvements in working capital management. EVA turned positive, due to increased profitability and working capital improvements.

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Transportation

Transportation Systems (TS)

TS Performance Data	Change	First quarter ended December 31, 2002	2001
		(in millions)	
EBIT	36%	68	50
EBIT margin		6.3%	5.2%
Total sales	12%	1,080	961
New orders	(41)%	1,100	1,853
Net cash from operating and investing activities		(161)	76

	Dec. 31, 2002	Sept. 30, 2002
Net capital employed	(505)	(741)
Employees (in thousands)	17	17

TS delivered EBIT of 68 million, up from 50 million in the first quarter a year ago, and raised its EBIT margin more than a full point, to 6.3%. Sales climbed 12% compared to the prior-year quarter, to 1.080 billion. Orders were higher than sales for the quarter, and included a number of major new projects in Europe, but at 1.100 billion were below the 1.853 billion level TS reached in the first quarter of fiscal 2002, when it booked orders for a high-speed rail link in Holland and an advanced, driverless subway system in Nuremberg, Germany. The group s order backlog stood at 11.2 billion at the end of the current period.

Net capital employed at December 31, 2002 was a negative 505 million, compared to a negative 741 million at the end of fiscal 2002, primarily due to lower customer prepayments. This effect was also evident in net cash from operating and investing activities of a negative 161 million compared to a positive 76 million for the first quarter of last year. The group s positive EVA remained unchanged compared to the first quarter a year ago.

Siemens VDO Automotive (SV)

SV Performance Data	Change	First quarter ended December 31, 2002	2001
		(in millions)	
EBIT		73	(6)
EBIT margin		3.4%	(0.3)%
Total sales	5%	2,133	2,027
New orders	5%	2,133	2,023
Net cash from operating and investing activities		(84)	(43)

	Dec. 31, 2002	Sept. 30, 2002
Net capital employed	3,902	3,746
Employees (in thousands)	44	43

SV continued its steady progress since the acquisition of the VDO businesses in fiscal 2001, posting EBIT of 73 million compared to negative 6 million in the same quarter a year ago. Growing sales of SV s innovative diesel injection and navigation systems fueled profitability, as did a group-wide productivity program. Both sales and orders rose 5% year-over-year, to 2.133 billion, despite a 5% adverse affect on volume from currency translation and the sale of the group s Hydraulik-Ring business between the two periods under review.

Net capital employed at December 31, 2002 was 3.902 billion, compared to 3.746 billion at the end of fiscal 2002. Increases in net assets more than offset the improvement in EBIT, resulting in lower net cash from operating and investing activities of a negative 84 million in the current quarter. EVA increased, but remained negative.

Medical

Medical Solutions (Med)

Med Performance Data	Change	First quarter ended December 31, 2002	2001
		(in millions)	
EBIT	16%	245	212
EBIT margin		13.4%	12.0%
Total sales	3%	1,831	1,770
New orders	(1)%	1,958	1,970
Net cash from operating and investing activities		(20)	167

	Dec. 31, 2002	Sept. 30, 2002
Net capital employed	3,495	3,414
Employees (in thousands)	31	31

Med was again a leader among the operating groups in EBIT and profitability. First-quarter EBIT rose 16% compared to the same period a year earlier, to 245 million, and EBIT margin stepped up to 13.4%. Med s imaging systems divisions again led the way, with their new products making important contributions. Sales rose 3%, to 1.831 billion, despite a negative 7% currency translation effect, while orders remained level at 1.958 billion including a negative 8% currency translation effect.

Net capital employed at December 31, 2002 was 3.495 billion, compared to 3.414 billion at the end of fiscal 2002. An increase in net working capital primarily receivables and inventories in the current quarter influenced a decline in net cash from operating and investing activities to a negative 20 million. EVA increased in part due to improved profitability compared to the first quarter last year.

Lighting

Osram

Osram Performance Data	Change	First quarter ended December 31, 2002	2001
		(in millions)	
EBIT	36%	106	78
EBIT margin		9.4%	7.1%
Total sales	2%	1,123	1,099
New orders	2%	1,123	1,099
Net cash from operating and investing activities		145	(11)

	Dec. 31, 2002	Sept. 30, 2002
Net capital employed	2,316	2,436
Employees (in thousands)	35	35

Osram continued to deliver solid earnings and margins, with EBIT of 106 million and EBIT margin of 9.4%. In comparison, first-quarter EBIT a year earlier was 78 million and EBIT margin was 7.1%. The group s automotive lighting business was a particularly strong performer. Despite a negative 8% currency translation effect, Osram increased its business volume 2%, to 1.123 billion.

Net capital employed at December 31, 2002 was 2.316 billion, compared to 2.436 billion at the end of fiscal 2002. Net cash from operating and investing activities increased on improved profitability and lower capital expenditures to 145 million compared to a negative 11 million for the first quarter of last year. EVA increased compared to the first quarter of fiscal 2002.

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Corporate, Eliminations (Operations) and Reconciliation to Financial Statements

Corporate, eliminations (Operations) and Reconciliation to financial statements include various categories of items which are not allocated to the groups, because the Managing Board has determined that such items are not indicative of group performance. These include certain non-recurring, one-time charges or gains and results from centrally managed projects. In addition, Corporate, eliminations (Operations) includes corporate costs such as non-allocated pension related income or expense, certain corporate-related derivative activities, and centrally held equity investments, business units and corporate projects. Reconciliation to financial statements includes various items excluded by definition from EBIT.

We believe that this presentation provides a more meaningful comparison between the periods under review because it eliminates one-time or non-recurring gains or losses that management does not believe are indicative of the underlying performance of our business. This presentation reflects the assessment of our chief operating decision maker with respect to the performance of our components. However, you should be aware that different one-time or non-recurring items may occur in every period.

Corporate, Eliminations

Corporate, eliminations consists of four main components: corporate items, consisting primarily of corporate expenses; investment earnings (losses), which include our share of earnings (losses) from equity investments held centrally; non-allocated pension-related income (expense); and eliminations, other. EBIT for Corporate, eliminations as a whole was a negative 458 million compared to a negative 345 million in the first quarter a year ago.

Corporate items decreased slightly to negative 194 million in the current period compared to negative 201 million a year earlier.

Investment earnings were a positive 35 million compared to a negative 24 million a year earlier. Included in investment income in the current period is a negative 17 million in equity results representing Siemens share of Infineon s net loss in the first quarter of fiscal 2003. The equity share of Infineon s net loss following deconsolidation in the same quarter of the prior year was a negative 60 million.

Non-allocated pension-related expense for the first three months of fiscal 2003 was negatively affected by changes in pension trust net asset values, lower return assumptions and increased amortization expense related to the underfunding of the Company s pension trusts. In addition to quarterly expense of 198 million, non-allocated pension related expense for the first three months of fiscal 2003 includes 19 million charge relating to payments to the German pension insurance association (*Pensionssicherungsverein*).

Reconciliation to financial statements

Other interest expense, net for the first quarter of fiscal 2003 was 2 million, compared to 66 million a year ago. The current year amount reflects lower interest rates on debt. Gains on sales and dispositions of significant business interest are also shown under Reconciliation to financial statements. For the first three months of fiscal 2002, this amount includes a gain of 332 million from the sale of 23.1 million Infineon shares in open market transactions.

Financing and Real Estate

Siemens Financial Services (SFS)

		First quarter ended December 31,	
SFS Performance Data	**Change**	**2002**	**2001**
		(in millions)	
Income before income taxes	100%	84	42
Total sales	12%	136	121
Net cash from operating and investing activities		(157)	299

	Dec. 31,	**Sept. 30,**

	2002	2002
Total assets	8,588	8,681
Employees (in thousands)	1	1

SFS significantly increased first-quarter earnings before income taxes compared to the prior year, from 42 million to 84 million, on strong performances at the Equipment & Sales Financing division and higher income from investments in Indonesia by the Equity division. Total assets at December 31, 2002 were 8.588 billion, compared to 8.681 billion at the end of fiscal 2002. Net cash from operating and investing activities was a negative 157 million compared to a positive 299 million for the first quarter of last year, primarily due to the planned phase-down of sales of receivables through the SieFunds asset securitization vehicle. EVA increased on stronger earnings.

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Siemens Real Estate (SRE)

SRE Performance Data	Change	First quarter ended December 31, 2002	2001
		(in millions)	
Income before income taxes	(38)%	55	88
Total sales	0%	396	397
Net cash from operating and investing activities		50	24

	Dec. 31, 2002	Sept. 30, 2002
Total assets	3,900	4,090
Employees (in thousands)	2	2

Due in part to lower gains on the sale of real estate, SRE recorded earnings before income taxes of 55 million, down from 88 million in the same quarter a year earlier. Total assets at December 31, 2002 were 3.900 billion, down from 4.090 billion at the end of fiscal 2002. Net cash from operating and investing activities was 50 million compared to 24 million for the first quarter of last year. EVA decreased, but remained positive.

COMPONENT INFORMATION STATEMENTS OF INCOME

Operations

	First quarter ended December 31, 2002	2001
	(in millions)	
Net sales from operations	18,688	20,403
Gross profit on sales	5,153	5,579
as percentage of sales	*27.6%*	*27.3%*
Research and development expenses	(1,295)	(1,379)
as percentage of sales	*6.9%*	*6.8%*
Marketing, selling and general administrative expenses	(3,436)	(3,742)
as percentage of sales	*18.4%*	*18.3%*
Other operating income (expense), net	197	47
Income (loss) from investments in other companies, net	(18)	(8)
Income from financial assets and marketable securities, net	(10)	8
Interest income (expense) of Operations, net	13	(18)
EBIT	604	487
as percentage of sales	*3.2%*	*2.4%*

Net sales from Operations decreased 8% to 18.688 billion compared to 20.403 billion a year earlier. Revenues were negatively affected by currency translation effects of 4%, primarily involving exchange rates between the U.S. dollar and the euro. Sales declined particularly at ICN, ICM, SBS, PG and PTD and was negatively affected by currency and disposition effects. The ICN sales decline was driven by weakness in the

Carrier Networks and Services business and influenced by effects from currency and the deconsolidation of its Unisphere Networks, Inc. and Network System businesses which were sold in the fourth quarter of fiscal 2002. At PTD, the decline relates to the sale of its Metering business in the fourth quarter of last year. In contrast, TS and SV posted significant sales increases.

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Gross profit as a percentage of sales increased slightly to 27.6% compared to 27.3% in the prior year, as the operating groups cost cutting efforts outpaced the decline in sales. ICN continued PACT cost-cutting resulting in increased gross margin, despite severance charges. PTD, TS, SV, Osram and Med posted improved gross profit margins due to increased productivity, as well as SD due to continuing improvements in project management. In contrast, gross profit margin decreased at PG as a result of higher inventory allowances and at I&S due to severance charges. See also the segment analysis above for further comments on individual groups.

Research and development expenses (R&D) were 1.295 billion in the first quarter of fiscal 2003 compared to 1.379 billion a year earlier. R&D spending as a percentage of sales was 6.9% compared to 6.8% a year earlier, reflecting our ongoing commitment to R&D in a wide variety of areas. Marketing, selling and general administrative expenses decreased 8% to 3.436 billion compared to last year, but increased as a percentage of sales from 18.3% to 18.4%.

Other operating income, net was 197 million compared to 47 million last year. Income (loss) from investments in other companies, net was a negative 18 million compared to a negative 8 million in the prior year. The current year includes charges from write-downs of venture capital and other investments at ICN totaling 25 million.

Income (expense) from financial assets and marketable securities, net was a negative 10 million compared to income of 8 million in the last year. Interest income (expense) of Operations, net was a positive 13 million compared to net interest expense of 18 million a year earlier, primarily due to declining interest rates and lower average interest-bearing liabilities.

EBIT from Operations for the first quarter of fiscal 2003 was 604 million, compared to 487 million in the first quarter a year ago, reflecting the factors noted above. Both periods include charges for severance and asset write downs of 115 million and 147 million for quarters ending December 31, 2002 and 2001, respectively. EBIT margin increased to 3.2% compared to 2.4% a year ago.

Other interest expense, net for the first quarter of fiscal 2003 was 2 million, compared to 66 million a year ago. The current year amount reflects lower interest rates on debt.

Gains on sales and dispositions of significant business interests in the first quarter of fiscal 2002 include gains of 332 million resulting from the sale of 23.1 million Infineon shares.

Financing and Real Estate

	First quarter ended December 31,	
	2002	**2001**
	(in millions)	
Sales	528	516
Gross profit on sales	128	140
Marketing, selling and general administrative expenses	(71)	(72)
Other operating income, net	34	40
Income from investments in other companies, net	22	3
Income (expense) from financial assets and marketable securities, net	6	2
Other interest income, net	20	17
Income before income taxes	139	130

Sales from Financing and Real Estate for the first quarter of fiscal 2003 increased 2% to 528 million compared to the first quarter of fiscal 2002. Gross profit of 128 million in the first quarter of fiscal 2003 was negatively impacted by higher lease operating costs at SRE. Marketing, selling and general administrative expenses were 71 million and remained on the level of the first quarter of fiscal 2002.

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Other operating income, net was 34 million in the current quarter compared to 40 million last year. Income from investments in other companies, net increased from 3 million to 22 million in the first quarter of fiscal 2003, reflecting in part strong investment earnings at SFS Equity division, particularly from an project in Indonesia. Income from financial assets and marketable securities, net was 6 million compared to 2 million in the first quarter of the prior year. For the first quarter of fiscal 2003, other interest income, net was 20 million compared to 17 million in the same period a year earlier. As a result, income before income taxes for the first quarter of fiscal 2003 increased 7% to 139 million compared to 130 million in the prior year.

Eliminations, Reclassifications and Corporate Treasury

This component of Siemens worldwide includes results of intra-Siemens activity by our Corporate Treasury, which provides corporate finance and treasury management services to our Operations and Financing and Real Estate components. It also includes eliminations of activity conducted between those two components, and reclassification of financial items which are associated with Operations but not included in EBIT from Operations. Since December 2001, Infineon has been accounted for under the equity method. The results of Infineon for the first two months of fiscal 2002, a net loss of 115 million, are included in Eliminations, reclassifications and Corporate Treasury. To the extent that Infineon provided products and services to the Operations groups in the prior year, when Infineon was still consolidated in Siemens results, those effects are eliminated here as well. For the three months ended December 31, 2002, income before income taxes includes a gain of 24 million from the repurchase and retirement of 500 million notional amount of an original 2.500 billion Infineon exchangeable bond.

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Siemens Worldwide

In connection with our component model of reporting, below is a discussion of the Consolidated Statements of Income for Siemens worldwide. Additional details relating to the other components of Siemens worldwide: Operations, Financing and Real Estate and Eliminations, reclassifications and Corporate Treasury are discussed above.

	First quarter ended December 31,	
	2002	**2001**
	(in millions)	
New orders	20,145	25,390
New orders in Germany	4,661	5,161
International orders	15,484	20,229
Sales	18,845	20,986
Sales in Germany	4,204	4,420
International sales	14,641	16,566
Gross profit on sales	5,282	5,642
as percentage of sales	*28.0%*	*26.9%*
Research and development expenses	(1,295)	(1,547)
as percentage of sales	*6.9%*	*7.4%*
Marketing, selling and general administrative expenses	(3,508)	(3,901)
as percentage of sales	*18.6%*	*18.6%*
Other operating income, net	215	391
Income (loss) from investments in other companies, net	4	(22)
Income from financial assets and marketable securities, net	27	(29)
Interest income (expense) of Operations, net	13	(18)
Other interest income, net	76	42
Income before income taxes	814	558
Income taxes	(302)	(97)
as percentage of income before income taxes	*37.1%*	*17.4%*
Minority interest	(27)	77
Income before cumulative effect of change in accounting principle	485	538
Cumulative effect of change in accounting principle, net of income taxes	36	
Net income	521	538

New orders in the first quarter of fiscal 2003 decreased 21% from 25.390 billion last year to 20.145 billion. Excluding currency translation effects and the net effect of acquisitions and dispositions orders decreased 13%. Orders in Germany decreased 10% to 4.661 billion in the current period, which include a decrease of 3% due to the net effects from acquisitions and dispositions. International orders decreased 23% to 15.484 billion in the first quarter of fiscal 2003, which include a decrease of 8% due to effects from currency and the net effect of acquisitions and dispositions.

Sales for the first quarter of fiscal 2003 decreased 10% to 18.845 billion. Excluding currency translation effects and the net effect of acquisitions and dispositions sales decreased 1%. Sales in Germany decreased 5% to 4.204 billion in the current period, which include a decrease of 3% due to the net effects from acquisitions and dispositions. International sales decreased 12% to 14.641 billion in the current period, which include a decrease of 10% due to effects from currency and the net effect of acquisitions and dispositions.

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Orders in the U.S. for the first quarter of fiscal 2003 fell 36%, due in large part to the decrease in orders at PG, to 3.965 billion and sales dropped 24% to 3.903 billion compared to the prior-year quarter, including negative effects from currency translation of 8% and 9%, respectively. In Asia-Pacific, first quarter orders fell 34% to 2.146 billion and sales fell 14% year-over-year, to 2.066 billion, due in part to the deconsolidation of Infineon and currency translation effects. Excluding the Infineon and currency translation effects, orders and sales fell 25% and 3%, respectively. While China continued to account for the largest share of sales in the region, contributing 643 million in the current quarter, that level was 23% below the same period a year earlier, due in part to currency effects. In Europe outside Germany, orders decreased 2%, while sales increased 2%.

Gross profit margin in the first quarter of fiscal 2003 increased by more than one percentage point to 28.0% compared to 26.9% in the same period in the prior year. Gross profit margin from Operations increased, as the group s cost-cutting efforts outpaced the decline in sales. ICN realized higher gross margins on software contracts and continued PACT cost-cutting resulting in increased gross margin, despite severance charges. PTD, TS, SV, Osram and Med posted improved gross profit margins due to increased productivity, as SD did due to continuing improvements in project management. In contrast, gross profit margin decreased at PG as a result of higher inventory allowances and at I&S due to severance charges. See also the segment analysis above for further comments on the individual groups. The prior year included effects from the consolidation of two months of the results of Infineon which was deconsolidated in December 2001. Infineon s relatively low gross profit margin significantly impacted gross profit margin in the first quarter of the prior year.

Research and development (R&D) expenses decreased from 1.547 billion to 1.295 billion compared to first quarter in the prior year, primarily due to the two month consolidation of Infineon last year and to the decline of business volume at several groups. R&D spending represented 6.9% of sales, compared to 7.4% in the first quarter of last year, primarily due to the effects of Infineon in the prior year.

Marketing, selling and general administrative expenses were 3.508 billion in the first quarter of fiscal 2003 compared to 3.901 billion in the same period a year ago. This figure represents 18.6% of sales, unchanged compared to the first quarter of last year.

Other operating income (expense), net was 215 million compared to 391 million in the first quarter of fiscal 2002. The first quarter in fiscal 2002 included gains of 332 million resulting from Infineon share sales. Income (loss) from investments in other companies, net was 4 million compared to a negative 22 million in the prior year. The current year includes higher income from investments at Siemens Financial Services (SFS) partly offset by write-downs of venture capital and other investments at ICN totaling 25 million. Income (expense) from financial assets and marketable securities, net was a positive 27 million compared to a negative 29 million in the last year. Interest income (expense) of Operations, net was a positive 13 million compared to net interest expense of 18 million a year earlier, primarily due to declining interest rates and lower average interest-bearing liabilities. Other interest income, net was 76 million compared to 42 million last year reflecting in part lower interest rates on debt.

The effective tax rate on income for the first quarter of fiscal 2003 was approximately 37%, compared to 17% in the first quarter a year ago, which was positively impacted by the tax-free sale of Infineon shares.

On October 1, 2002, Siemens adopted Statement of Accounting Financial Standards (SFAS) 143, *Accounting for Asset Retirement Obligations*, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. As a result of the adoption of SFAS 143, income of 59 million (36 million net of income taxes) was recorded as a cumulative effect of change in accounting principle, primarily in connection with a significant remediation and environmental accrual. See Note 16 to the consolidated financial statements for further information.

EVA PERFORMANCE

Siemens continues to drive its enterprise-wide focus on economic value added (EVA). We tie a significant portion of our executive incentive compensation to achieving EVA targets.

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EVA is a financial performance measurement of the value created or destroyed by a business. In simple terms, it compares the profitability of a business against the cost of capital used to run that business. We use this measure of performance in addition to income before income taxes and EBIT, because those measures focus on results without taking into consideration the corresponding cost of capital employed in the business. In this manner, EVA complements EBIT. A positive EVA means that a business has earned more than its cost of capital, and is therefore defined as value-creating. A negative EVA means that a business is earning less than its cost of capital and is therefore defined as value-destroying. Consequently, the increase or decrease of a positive or negative EVA between comparable fiscal periods is an important measure of financial performance.

Because the two major components of Siemens Operations and Financing and Real Estate are fundamentally different from each other, we adjust our calculations of EVA accordingly. In the case of Operations, we use EBIT as the base measure and apply a flat tax charge of 35% for calculating net operating profit. We calculate the percentage cost of capital for each group by taking the weighted average of the after-tax cost of debt and equity of Siemens and apply an adjustment factor, which takes into account the specific risks associated with the particular business. Management s determination of the cost of capital for the groups within Operations ranged from 8% to 10%. This percentage is applied against average net operating assets in order to determine capital cost. In the case of Financing and Real Estate, we take income before taxes as the base measure and again apply a flat tax rate of 35% to arrive at income after taxes. From this result we deduct the cost of capital, which is calculated by multiplying the percentage cost of capital (as determined by Siemens management) by the risk-adjusted equity allocated to the Financing and Real Estate component. Calculation of EVA for Eliminations, Reclassifications and Corporate Treasury is based on the same concept as for the Financing and Real Estate component. Other organizations that use EVA as a measure of financial performance may define and calculate EVA differently.

Siemens worldwide realized a positive EVA of 66 million in the first quarter of fiscal 2003, compared to a positive 71 million in the same period a year ago, a period which included gains on the sale of shares of Infineon.

EVA calculation (in millions of)

	First Quarter Fiscal 2003	First Quarter Fiscal 2002
Operations		
EBIT from Operations	604	487
Taxes and other	(188)	(272)
Net operating profit after taxes	416	215
Net capital		