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	First quarter ended December 31, 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	First quarter ended December 31, 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)

		First quarter ended December 31,	
PTD Performance Data	**Change**	**2002**	**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	