Lumber Liquidators Holdings, Inc.
Form 4
September 03, 2014

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
PESCARA MARCO

(Last) (First) (Middle)

3000 JOHN DEERE ROAD

(Street)

TOANO, VA 23168

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Lumber Liquidators Holdings, Inc. [LL]

3. Date of Earliest Transaction (Month/Day/Year)
08/29/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Marketing Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	08/29/2014		M		2,145	A	$ 24.19	5,156	D	
Common Stock	08/29/2014		S		2,145	D	$ 58.4185	3,011	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. D S (I
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Stock Option (right to purchase)	$ 24.19	08/29/2014		M		2,145		(1)	03/11/2020	Common Stock	2,145	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PESCARA MARCO 3000 JOHN DEERE ROAD TOANO, VA 23168			Chief Marketing Officer	

Signatures

/s/ E. Livingston B. Haskell, Power-of-Attorney	09/03/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The stock option vests in four equal annual installments beginning on March 11, 2011.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. capital assets for U.S. federal income tax purposes and are eligible for benefits as a U.S. resident under the Treaty with respect to an investment in the shares or ADSs. This section does not address all material U.S. federal income tax consequences of owning shares or ADSs. It does not address special classes of holders, some of which may be subject to other rules, including:

tax-exempt entities;

life insurance companies;

dealers in securities;

traders in securities that elect a mark-to-market method of accounting for securities holdings;

investors liable for alternative minimum tax;

partnerships, or other entities classified as partnerships, for U.S. federal income tax purposes;

investors that actually or constructively own 10% or more of our voting stock;

investors that hold shares or ADSs as part of a straddle or a hedging or conversion transaction; or

investors whose functional currency is not the U.S. dollar.

This section is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed Treasury regulations, and published rulings and court decisions, as well as on the Treaty, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of The Depository Trust Company and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

A U.S. holder is a beneficial owner of shares or ADSs and, for U.S. federal income tax purposes, a citizen or resident of the United States, a domestic corporation or otherwise subject to U.S. federal income taxation on a net income basis in respect of shares or ADSs.

This discussion addresses only U.S. federal income taxation. U.S. holders should consult their own tax advisor regarding the United States federal, state, local and other tax consequences of owning and disposing of shares and ADSs in your particular circumstances. In particular, you should confirm that you are eligible as a U.S. resident for benefits under the Treaty in respect of your investment in the shares or ADSs.

A U.S. holder of the ADSs generally will be treated for U.S. federal income tax purposes as the beneficial owner of the shares represented by those ADSs, in which case no gain or loss will be recognized upon an exchange of the shares for ADSs or an exchange of the ADSs for shares.

Taxation of dividends

U.S. holders must include the gross amount of dividends paid on the shares or ADSs, without reduction for German withholding tax, in ordinary income as foreign source dividend income on the date that they receive them (or, in the case of ADSs, on the date that The Depository Trust Company receives them), translating dividends paid in euro into U.S. dollars using the exchange rate in effect on such date, regardless of whether the payment in fact is converted into U.S. dollars.

In the case of non-corporate U.S. holders, the U.S. dollar amount of dividends paid to them in taxable years beginning before January 1, 2011 with respect to the shares or ADSs will be subject to taxation at a maximum rate of 15% if the dividends are qualified dividends , provided that the shares or ADSs are held for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends paid on the shares or ADSs generally will be treated as qualified dividends if we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid,

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a passive foreign investment company (PFIC). Based on our audited financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2009 taxable year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2010 taxable year. However, as PFIC status is a factual matter that must be determined annually at the close of each taxable year, there can be no certainty as to our actual PFIC status in any particular year until the close of the taxable year in question.

German tax withheld from dividends will be treated, up to the 15% rate provided under the Treaty, as a foreign income tax that, subject to generally applicable limitations under U.S. tax law, is eligible for credit against the U.S. federal income tax liability of U.S. holders or, if they have elected to deduct such taxes, may be deducted in computing taxable income. Dividends will be income from sources outside the United States. Dividends will, depending on the respective circumstances, be passive or general income for purposes of computing the foreign tax credit allowable to a U.S. holder. The rules governing the foreign tax credit are complex. Each U.S. holder is urged to consult its own tax advisor concerning whether, and to what extent, a foreign tax credit will be available under the Treaty with respect to dividends received from us. To the extent a refund of the tax withheld is available to a U.S. holder under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against the U.S. federal income tax liability. Fluctuations in the dollar-euro exchange rate between the date that a U.S. holder includes a dividend in taxable income and the date when the related refund of German withholding tax is received may give rise to foreign currency gain or loss, which generally is treated as ordinary income or loss for U.S. federal income tax purposes. See Refund procedure for U.S. holders above for the procedures for obtaining a tax refund.

Taxation of sales or other taxable dispositions

Sales or other taxable dispositions of shares or ADSs by U.S. holders generally will give rise to U.S. source capital gain or loss equal to the difference between the U.S. dollar value of the amount realized on the disposition and the U.S. holder s U.S. dollar basis in the shares or ADSs. Any such capital gain or loss generally will be long-term capital gain or loss, subject to taxation at reduced rates for non-corporate taxpayers, if the shares or ADSs were held for more than one year. The deductibility of capital losses is subject to limitations.

Information reporting and backup withholding

Dividend payments made to holders and proceeds paid from the sale, exchange, redemption or disposal of shares or ADSs may be subject to information reporting to the Internal Revenue Service. Such payments may be subject to backup withholding taxes unless the holder (i) is a corporation or other exempt recipient or (ii) provides a taxpayer identification number on a properly completed IRS Form W-9 and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder s U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

Documents on display

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, we file reports and other information with the Securities and Exchange Commission. These materials, including this annual report and the exhibits thereto, may be inspected and copied at the Commission s Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. Copies of the materials may be obtained from the Public Reference Room of the Commission at 100 F Street N.E., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the Commission s Public Reference Room by calling the Commission in the United States at 1-800-SEC-0330. Our filings, including this annual report,

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are also available on the Commission s website at www.sec.gov. In addition, material filed by us can be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005 and is also available on the New York Stock Exchange s website at www.nyse.com.

ITEM 11: QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risks see Note 33 to Consolidated Financial Statements.

ITEM 12: DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

American depositary shares

The ADSs of Siemens Aktiengesellschaft, each representing one of our common shares, trade on the New York Stock Exchange under the symbol SI. The ADSs are evidenced by American Depository Receipts, or ADRs, issued by JPMorgan Chase Bank, N.A. (JPMorgan) as depositary under the Deposit Agreement, as amended in May 2007, among Siemens Aktiengesellschaft, JPMorgan and all holders and beneficial owners from time to time of ADRs issued under the deposit agreement (Deposit Agreement).

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The following is a summary of the fee provisions of the Deposit Agreement. For more complete information regarding ADRs, you should read the entire Deposit Agreement, as amended, and the form of ADR.

Persons depositing or withdrawing shares or ADS holders must pay:	**For:**
U.S.$5.00 for each 100 ADSs (or portion thereof) issued, delivered, reduced, cancelled or surrendered (as the case may be)	Issuances of ADSs, including, without limitation, issuances against deposits of shares, in respect of distributions of shares, in respect of rights, in respect of other distributions, pursuant to a stock dividend or stock split or pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities Withdrawal of deposited securities upon surrender of ADSs Cancellation or reduction of ADSs
U.S.$1.50 per ADR	Transfers on the register
A fee equal to the fee which would have been charged by the depositary if the relevant securities distributed had been shares and the shares had been deposited for issuance of ADSs	Distributions or sales of securities
An aggregate fee of U.S.$0.02 per ADS (or portion thereof) per calendar year	Services performed by the depositary in administering the ADRs
Fees and expenses incurred by the depositary	Expenses incurred by the depositary in delivering deposited securities or otherwise in connection with the depositary s or its custodian s compliance with applicable law, rules or regulations Cable, telex and facsimile transmission and delivery charges incurred at the request of persons depositing, or holders of ADSs delivering shares, ADRs or deposited securities Transfer or registration fees for the registration or

	transfer of deposited securities on any applicable register Converting foreign currency to U.S. dollars
Stock transfer or other taxes and other governmental charges	As necessary
Any other charge payable by the depositary, any of its agents (including the custodian), or the agents of the depositary s agents in connection with the servicing of the shares or other deposited securities	As necessary

The fees and charges described above may at any time and from time to time be changed by agreement between the depositary and Siemens with notice thereof provided to holders of ADSs in the manner required by the form of ADR.

The depositary may sell (by public or private sale) sufficient securities and property received in respect of share distributions, rights and other distributions prior to their deposit to pay the applicable charges. The depositary may deduct its expenses for converting foreign currency to U.S. dollars from such foreign currency. Both (i) the fee for services performed by the depositary in administering the ADRs, and (ii) any other charge payable by the depositary, any of its agents, or the agents of the depositary s agents in connection with the servicing of the shares or other deposited securities, are payable at the sole discretion of the depositary by billing holders of ADSs or by deducting such charge from one or more cash distributions.

Direct payments by the depositary to Siemens

JPMorgan, as depositary, has agreed to reimburse certain reasonable Siemens expenses related to our ADR program and incurred by us in connection with the program. In the year ended September 30, 2010, the depositary reimbursed us for an aggregate amount of 1,729,812. The amounts reimbursed by the depositary are not perforce related to the fees collected by the depositary from ADR holders. The table below sets forth the types of expenses that the depositary has agreed to reimburse us for and the amounts reimbursed in the fiscal year ended September 30, 2010.

Category	Amount reimbursed in the fiscal year ended September 30, 2010 (in)
Investor relations[(1)]	424,979
Printer and filing fees	53,768
NYSE listing fee	34,776
Proxy solicitation services	79,492
Share register and ADR holder identification expenses[(2)]	1,047,100
Market data service subscription fees	89,697

(1) Includes costs related to roadshows, travel, conference facilities, technical equipment support, consulting services, advertising and other investor relations expenses.

(2) Includes costs of 606,800 related to share register expenses, for which reimbursement was claimed in fiscal 2009. The amounts, however, were reimbursed in fiscal 2010.

Indirect payments and waived fees

As part of its service as depositary, JPMorgan has agreed to waive its fees for the standard costs associated with the administration of the ADR program, associated operating expenses, investor relations advice and related out-of-pocket expenses estimated to total U.S.$275,000 per contract year.

PART II

ITEM 13: DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14: MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15: CONTROLS AND PROCEDURES

Disclosure controls and procedures

As of September 30, 2010, Siemens performed an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures. The evaluation was performed with the participation of key corporate senior management and senior management of each business sector under the supervision of the CEO, Peter Löscher, and CFO, Joe Kaeser. The Company s disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported in a timely manner and accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. The Company s management, including the CEO and CFO, concluded that, as of September 30, 2010, Siemens disclosure controls and procedures were effective.

Management s annual report on internal control over financial reporting

The management of Siemens is responsible for establishing and maintaining adequate internal control over financial reporting. The internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

No system of internal control over financial reporting, including one determined to be effective, may prevent or detect all misstatements. It can provide only reasonable assurance regarding financial statement preparation and presentation. Also, projections of the results of any evaluation of the effectiveness of internal control over financial reporting into future periods are subject to the inherent risk that the relevant controls may become inadequate due to changes in circumstances or that the degree of compliance with the underlying policies or procedures may deteriorate.

Siemens management assessed the effectiveness of the Company s internal control over financial reporting as of September 30, 2010. In making this assessment, it used the criteria set forth in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) s publication Internal Control Integrated Framework. As a result of this evaluation, management has concluded that the Company s internal control over financial reporting was effective as of September 30, 2010.

The effectiveness of the Company s internal control over financial reporting as of September 30, 2010 has been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), an independent registered public accounting firm, as stated in their report, which is included below.

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Report of independent registered public accounting firm

To the Supervisory Board of Siemens Aktiengesellschaft:

We have audited Siemens Aktiengesellschaft s internal control over financial reporting as of September 30, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Siemens Aktiengesellschaft s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Siemens Aktiengesellschaft maintained, in all material respects, effective internal control over financial reporting as of September 30, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Siemens Aktiengesellschaft and subsidiaries as of September 30, 2010 and 2009, and the related consolidated statements of income, comprehensive income, cash flows and changes in equity for each of the two years in the period ended September 30, 2010, and our report dated November 25, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Munich, Germany
November 25, 2010

Changes in internal control over financial reporting

There were no changes in the Company s internal control over financial reporting during fiscal 2010 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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ITEM 16A: AUDIT COMMITTEE FINANCIAL EXPERT

Our Supervisory Board has determined that two members of the Company s Audit Committee, Dr. Gerhard Cromme and Dr. Hans Michael Gaul, are financial experts. Dr. Cromme and Dr. Gaul are independent, as that term is defined in Rule 10A-3 under the Securities Exchange Act for purposes of the listing standards of the New York Stock Exchange applicable to Siemens.

ITEM 16B: CODE OF ETHICS

The Company has adopted an amended and restated Code of Ethics for Financial Matters (Code) with effect from September 24, 2010. The Code was primarily amended to reflect the current organizational structure of Siemens and to more clearly specify the persons to whom it applies. The Code now applies to the principal officers of Siemens AG and its subsidiaries, including the members of the Managing Board of Siemens AG, the Corporate Vice President and Controller of Siemens AG, the CEOs, CFOs and Heads of Accounting & Controlling at various levels within the Siemens organizational structure and certain mandatory internal certifiers, as defined in the Code, who are part of the Siemens Sarbanes-Oxley Act section 302 certification process. In connection with these amendments, the Code was also generally updated without materially changing the Company s approach to any of the elements of the code of ethics definition enumerated in Item 16.B(b) of Form 20-F. A copy of the Code is available on the Company s website at www.siemens.com/corporate_governance .

ITEM 16C: PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees related to professional services rendered by the Company s principal accountant, Ernst & Young (EY), for the fiscal years 2010 and 2009 were as follows:

Type of Fees	Year ended September 30, 2010	2009
	(in millions of)	
Audit Fees	40.9	40.5
Audit-Related Fees	5.3	4.6
Tax Fees	1.0	4.2
All Other Fees	0.1	
Total	47.3	49.3

Audit fees and audit-related fees consist of fees associated with the services pre-approved by the Audit Committee described below. Tax fees include primarily fees for support services provided in connection with the documentation of transfer pricing arrangements and require specific pre-approval by the Audit Committee.

As of September 30, 2010, 42 percent of total fees relate to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Germany.

Audit Committee pre-approval policies

In accordance with German law, Siemens independent auditor is appointed by the Annual Shareholders Meeting based on a recommendation of the Supervisory Board. The Audit Committee of the Supervisory Board prepares the board s recommendation on the election of the Company s independent auditor. Subsequent to the auditor s appointment, the Audit Committee engages the auditor and in its sole authority approves the terms and scope of the audit and all audit engagement fees. In addition, it monitors the auditor s independence.

In order to ensure the integrity of independent audits, Siemens Audit Committee has established a policy to approve all permissible services provided by our independent auditor prior to the auditor s engagement. As part of this approval process, the Audit Committee adopted pre-approval policies and procedures pursuant to which the Audit Committee annually pre-approves certain types of services to be performed by Siemens independent auditor. Under the policies, the Company s independent auditor is not allowed to perform any non-audit services which may

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impair the auditor s independence under the rules of the U.S. Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board. Furthermore, the Audit Committee has limited the sum total of all audit-related fees which may be incurred during a fiscal year. At the beginning of fiscal year 2010, this limit was reduced to provide that fees for all non-audit services, including audit-related services, tax services and other services, may not exceed 30 percent of the audit fees agreed upon for the respective fiscal year. Previously, the limit was 40 percent, and applied only to audit-related services.

In fiscal 2010, the Audit Committee has generally pre-approved the performance by EY of audit and audit-related services, including, among others, the following:

Audit services

Annual audit of Siemens Consolidated Financial Statements and its internal control over financial reporting

Quarterly review of Siemens interim consolidated financial statements

Audit and review services that are required by statute or regulation, including statutory audits of financial statements of Siemens AG and of its subsidiaries under the rules of their respective countries

Opening balance sheet audits in connection with acquisitions, including audits with regard to the allocation of purchase prices

Audit-related services

Voluntary local GAAP audits

Due diligence relating to actual or contemplated acquisitions and carve-outs, including consultation in accounting matters

Post-closing audits

Carve-out audits and attestation services in the context of carve-outs

Certification services required by regulation, law or contractual agreement

Consultation concerning financial accounting and reporting standards based on the auditor s knowledge of Siemens-specific circumstances, including:

Accounting advice relating to actual or contemplated transactions or events

Advice on the introduction and review of new or revised accounting guidelines and requirements

Training regarding accounting-related topics

Comfort letters

Employee benefit plan audits

SAS 70 reports

Attestation services subject to regulatory requirements, including regulatory advice

Attestation and audits in connection with the European Community Directive on Waste Electrical and Electronic Equipment

Attestation of compliance with provisions or calculations required by agreements

Attest services in accordance with applicable standards, other than audit services required by statute or other regulation

Services that are not generally pre-approved as audit or audit-related services require specific pre-approval by the Audit Committee. An approval may not be granted if the service falls into a category of services not permitted by

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current law or if it is inconsistent with ensuring the auditor s independence, as expressed in the four principles promulgated by the U.S. Securities and Exchange Commission: (1) an auditor may not act as management or an employee of the audit client; (2) an auditor may not audit his or her own work; (3) an auditor may not serve in an advocacy role for his or her client; and (4) an auditor may not provide services creating a mutual or conflicting interest between itself and the audit client.

While non-audit-related services are not prohibited by law, except for certain types of non-audit services enumerated in the SEC s rules, the Audit Committee has decided as a matter of policy not to engage the principal accountant to provide non audit-related services unless there is a compelling advantage to the Company in using the principal accountant and it can clearly be shown that there is no impairment of independence.

ITEM 16D: EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Information required by this Item is incorporated by reference to Item 10: Additional information Corporate governance Management and control structure Supervisory Board.

ITEM 16E: PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The following table sets out certain information concerning purchases by us during fiscal 2010:

Period	(a) Total number of shares purchased	(b) Average price paid per share (in)	(c) Total number of shares purchased as part of publicly announced plans or programs[(1)]	(d) Maximum number of shares that may yet be purchased under the plans or programs at month-end[(2)]
October 10/1/09 10/31/09				91,420,342
November 11/1/09 11/30/09				91,420,342
December 12/1/09 12/31/09				91,420,342
January 1/1/10 1/31/10				91,420,342
February 2/1/10 2/28/10				91,420,342
March 3/1/10 3/31/10				91,420,342
April 4/1/10 4/30/10				91,420,342
May 5/1/10 5/31/10				91,420,342
June 6/1/10 6/30/10				91,420,342
July 7/1/10 7/31/10				91,420,342
August 8/1/10 8/31/10				91,420,342
September 9/1/10 9/30/10				91,420,342
Total				

(1) On November 7, 2007, Siemens announced a Share Buyback Program adopted by the Management Board and approved by the Supervisory Board. The Share Buyback Program provided for repurchase of up to 10 billion of shares through the end of fiscal 2010. As of September 30, 2010, 56,201,421 shares amounting to 4.350 billion have been repurchased. Shares repurchased under the Share Buyback Program were purchased solely for the purpose of cancellation or for the purpose of issuing them to employees and members of the Managing Board. In fiscal 2010 and 2009, no shares were repurchased under this program.

(2) The maximum number of shares that may yet be purchased under the plans or programs at month-end for the months from October 2009 to February 2010, as presented in the table above, represents the 91,420,342 Siemens shares authorized for repurchase by the Annual Shareholders Meeting on January 27, 2009. Under the currently effective resolution of the Annual Shareholders Meeting of January 26, 2010, which took effect on March 1, 2010 and remains in force until July 25, 2011, Siemens may repurchase up to 10% of its capital stock as of the date of the Shareholders resolution, which represents 91,420,342 Treasury shares.

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The table above omits Siemens shares purchased by pension and other postretirement benefit plans sponsored by Siemens which purchased those shares independently of Siemens. In fiscal 2010, the principal Siemens sponsored pension and other postretirement benefit plans purchased 2,372,219 shares of Siemens AG common stock at an average price of 68.41 per share.

For further information on shares held in treasury see Notes to Consolidated Financial Statements.

ITEM 16F: CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G: CORPORATE GOVERNANCE

Significant differences between Siemens corporate governance and NYSE corporate governance standards

Companies listed on the NYSE are subject to the Corporate Governance Standards of Section 303A (NYSE Standards) of the NYSE Listed Company Manual. Under the NYSE Standards, Siemens AG, as a foreign private issuer, is permitted to follow its home-country corporate governance practices in lieu of the NYSE Standards, except that it is required to comply with the NYSE Standards relating to the having of an audit committee (comprised of members who are independent under the SOA) and to certain NYSE notification obligations. In addition, the NYSE Standards require that foreign private issuers disclose any significant ways in which their corporate governance practices differ from those required of U.S. domestic companies under the NYSE Standards.

As a company incorporated in Germany, Siemens AG must primarily comply with the German Stock Corporation Act and the German Codetermination Act and follows the recommendations of the German Corporate Governance Code. Furthermore, Siemens complies with applicable rules and regulations of the markets on which its securities are listed, such as the NYSE, and also voluntarily complies with many of the NYSE requirements that by their terms apply only to U.S. domestic issuers. For additional information on our corporate governance, please refer to Item 6: Directors, senior management and employees and to Item 10: Additional information.

The significant differences between our governance practices and those of U.S. domestic NYSE issuers are as follows:

Two-Tier Board The German Stock Corporation Act requires Siemens AG to have a two-tier board structure consisting of a Managing Board and a Supervisory Board. The two-tier system provides a strict separation of management and supervision. Roles and responsibilities of each of the two boards are clearly defined by law. The composition of the Supervisory Board is determined in accordance with the German Codetermination Act, which requires that one-half of the required 20 Supervisory Board members must be elected by our domestic employees. The Chairman of the Supervisory Board is entitled to cast a deciding vote when the Supervisory Board is unable to reach a decision in two separate rounds of voting.

Independence In contrast to the NYSE Standards, which require the board of directors to affirmatively determine the independence of the individual directors with reference to specific tests of independence, German law does not require the Supervisory Board to make such affirmative findings on an individual basis. German law requires that the Audit Committee must include at least one independent member of the Supervisory Board who has knowledge and experience in the application of accounting principles or the auditing of financial statements. At the same time, the Bylaws for Siemens Supervisory Board contain several provisions to help ensure the independence of the Supervisory Board s advice and supervision. Furthermore, the members of the Supervisory and Managing Boards are strictly independent of one another: a member of one board is legally prohibited from being concurrently active on the other.

Supervisory Board members have independent decision-making authority and are legally prohibited from following any direction or instruction. Moreover, Supervisory Board members may not enter into advisory, service or certain other contracts with Siemens, unless approved by the Supervisory Board.

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Committees In contrast to the NYSE Standards, which require the creation of several specified board committees, composed of independent directors and operating pursuant to written charters that set forth their tasks and responsibilities, the Supervisory Board of Siemens AG has combined the functions of a nominating, compensation and corporate governance committee substantially in its Chairman s Committee and has delegated part of the remaining functions to the Nominating Committee. Nevertheless, certain responsibilities, e.g. determination of the compensation of the members of the Managing Board, have not been delegated to a committee because German law requires the Supervisory Board to perform the function in full session. Both the Audit Committee and the Chairman s Committee have written bylaws adopted by the Supervisory Board which address their respective tasks and responsibilities. The NYSE Standards were taken into consideration in drawing up these bylaws.

The Audit Committee of Siemens AG is subject to the requirements of the SOA and the Securities Exchange Act of 1934, as applicable to a foreign private issuer, and performs in cooperation with the Compliance Committee functions similar to those of an audit committee subject to the full NYSE Standards. Nevertheless, German law precludes certain responsibilities from being delegated to a committee, such as the selection of the independent auditors, who are required by German law to be elected at the Shareholders Meeting.

In addition, the Supervisory Board of Siemens AG has a Finance and Investment Committee and a Mediation Committee, the latter of which is required by German law. Neither of these two committees is required under the NYSE Standards.

Shareholder Approval of Equity Compensation Plans; Stock Repurchases The NYSE Standards generally require U.S. domestic companies listed on the NYSE to obtain shareholder approval of all equity compensation plans (including stock option plans) and any material revisions to such plans. Under German law, the creation of authorized or contingent capital to issue shares and/or stock options requires the approval by our shareholders. This includes shareholder approval of the key points of a stock option plan as part of a decision regarding the creation of contingent capital or the repurchase and use of Siemens shares for servicing the stock option plan. Under German law, share buybacks generally require the prior authorization by shareholders. Such approval was last given at our January 26, 2010 Annual Shareholders Meeting, and this matter will generally be voted upon the expiration of each authorization.

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PART III

ITEM 18: FINANCIAL STATEMENTS

See pages F-1 through F-111

Siemens

Index to Consolidated Financial Statements

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Report of independent registered public accounting firm

To the Supervisory Board of Siemens Aktiengesellschaft:

We have audited the accompanying consolidated statements of financial position of Siemens Aktiengesellschaft and subsidiaries (the Company) as of September 30, 2010 and 2009, and the related consolidated statements of income, comprehensive income, cash flows and changes in equity for each of the two years in the period ended September 30, 2010. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and subsidiaries at September 30, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the two years in the period ended September 30, 2010, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union.

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for changes in ownership interests in subsidiaries and business combinations as a result of the adoption of IAS 27 (amended 2008), Consolidated and Separate Financial Statements, and IFRS 3 (revised 2008), Business Combinations, effective October 1, 2009.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The additional information in the Compensation section as of and for the years ended September 30, 2010 and 2009 presented in Item 6, Directors, Senior Management and Employees , which is not a required part of the financial statements, has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Siemens Aktiengesellschaft s internal control over financial reporting as of September 30, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 25, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Munich, Germany
November 25, 2010

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Report of independent registered public accounting firm

The Supervisory Board of Siemens AG:

We have audited the accompanying consolidated statements of income, income and expense recognized in equity and cash flows of Siemens AG and subsidiaries (the Company) for the year ended September 30, 2008. The consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of its operations and its cash flows of the Company for the year ended September 30, 2008, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ KPMG AG
Wirtschaftsprüfungsgesellschaft

Munich, Germany
November 21, 2008

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SIEMENS

CONSOLIDATED STATEMENTS OF INCOME
For the fiscal years ended September 30, 2010, 2009 and 2008
(in millions of , per share amounts in)

	Note	2010	2009	2008
Revenue		75,978	76,651	77,327
Cost of goods sold and services rendered		(54,331)	(55,941)	(56,284)
Gross profit		21,647	20,710	21,043
Research and development expenses		(3,846)	(3,900)	(3,784)
Marketing, selling and general administrative expenses		(11,130)	(10,896)	(13,586)
Other operating income	**6**	856	1,065	1,047
Other operating expense	**7**	(1,611)	(632)	(2,228)
Income (loss) from investments accounted for using the equity method, net	**8**	(40)	(1,946)	260
Interest income	**9**	2,161	2,136	2,404
Interest expense	**9**	(1,890)	(2,213)	(2,208)
Other financial income (expense), net	**9**	(336)	(433)	(74)
Income from continuing operations before income taxes		5,811	3,891	2,874
Income taxes	**10**	(1,699)	(1,434)	(1,015)
Income from continuing operations		4,112	2,457	1,859
Income (loss) from discontinued operations, net of income taxes	**4**	(44)	40	4,027
Net income		4,068	2,497	5,886
Attributable to:				
Non-controlling interests		169	205	161
Shareholders of Siemens AG		3,899	2,292	5,725
Basic earnings per share	**36**			
Income from continuing operations		4.54	2.60	1.91
Income (loss) from discontinued operations		(0.05)	0.05	4.50
Net income		4.49	2.65	6.41
Diluted earnings per share	**36**			
Income from continuing operations		4.49	2.58	1.90
Income (loss) from discontinued operations		(0.05)	0.05	4.49
Net income		4.44	2.63	6.39

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the fiscal years ended September 30, 2010, 2009 and 2008
(in millions of)

		2010	2009	2008
Net income		4,068	2,497	5,886
Currency translation differences		1,220	(506)	(313)
Available-for-sale financial assets	**11**	19	72	(122)
Derivative financial instruments	**31, 32**	(149)	329	(237)
Actuarial gains and losses on pension plans and similar commitments	**24**	(2,054)	(1,249)	(1,719)
Other comprehensive income, net of tax(1)		(964)	(1,354)	(2,391)
Total comprehensive income		**3,104**	**1,143**	**3,495**
Attributable to:				
Non-controlling interests		212	203	159
Shareholders of Siemens AG		2,892	940	3,336

(1) Includes income (expense) resulting from investments accounted for using the equity method of 24, 71 and (38), respectively, for the fiscal years ended September 30, 2010, 2009 and 2008.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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SIEMENS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of September 30, 2010 and 2009
(in millions of)

	Note	9/30/10	9/30/09
ASSETS			
Current assets			
Cash and cash equivalents		14,108	10,159
Available-for-sale financial assets	**11**	246	170
Trade and other receivables	**12**	14,971	14,449
Other current financial assets(1)	**13**	2,610	2,407
Inventories	**14**	14,950	14,129
Income tax receivables		790	612
Other current assets	**15**	1,258	1,191
Assets classified as held for disposal	**4**	715	517
Total current assets		49,648	43,634
Goodwill	**16**	15,763	15,821
Other intangible assets	**17**	4,969	5,026
Property, plant and equipment	**18**	11,748	11,323
Investments accounted for using the equity method	**19**	4,724	4,679
Other financial assets(1)	**20**	11,296	10,525
Deferred tax assets	**10**	3,940	3,291
Other assets		739	627
Total assets		102,827	94,926
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt and current maturities of long-term debt	**23**	2,416	698
Trade payables		7,880	7,593
Other current financial liabilities(1)	**21**	1,401	1,600
Current provisions	**25**	5,138	4,191
Income tax payables		1,816	1,936
Other current liabilities	**22**	21,794	20,311
Liabilities associated with assets classified as held for disposal	**4**	146	157
Total current liabilities		40,591	36,486
Long-term debt	**23**	17,497	18,940
Pension plans and similar commitments	**24**	8,464	5,938
Deferred tax liabilities	**10**	577	776
Provisions	**25**	3,332	2,771
Other financial liabilities(1)		990	706
Other liabilities	**26**	2,280	2,022

Total liabilities		73,731	67,639
Equity	**27**		
Common stock, no par value(2)		2,743	2,743
Additional paid-in capital		5,986	5,946
Retained earnings		22,998	22,646
Other components of equity		(8)	(1,057)
Treasury shares, at cost(3)		(3,373)	(3,632)
Total equity attributable to shareholders of Siemens AG		28,346	26,646
Non-controlling interests		750	641
Total equity		29,096	27,287
Total liabilities and equity		102,827	94,926

(1) Due to the retrospective application of an amended accounting pronouncement in fiscal 2010, certain derivatives, not qualifying for hedge accounting, were reclassified from current to non-current (see Note 2 to the Consolidated Financial Statements).

(2) Authorized: 1,111,513,421 and 1,111,513,421 shares, respectively.
Issued: 914,203,421 and 914,203,421 shares, respectively.

(3) 44,366,416 and 47,777,661 shares, respectively.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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SIEMENS

CONSOLIDATED STATEMENTS OF CASH FLOW
For the fiscal years ended September 30, 2010, 2009 and 2008
(in millions of)

	Note	2010	2009	2008
Cash flows from operating activities				
Net income		4,068	2,497	5,886
Adjustments to reconcile net income to cash provided				
Amortization, depreciation and impairments(1)		4,118	2,871	3,182
Income taxes		1,688	1,492	831
Interest (income) expense, net(2)		(271)	69	(208)
(Gains) losses on sales and disposals of businesses, intangibles and property, plant and equipment, net		(306)	(434)	(5,092)
(Gains) losses on sales of investments, net(3)		(72)	(351)	(35)
(Gains) losses on sales and impairments of current available-for-sale financial assets, net		13	11	(5)
(Income) losses from investments(1)(3)		59	1,974	(297)
Other non-cash (income) expenses		(59)	354	383
Change in current assets and liabilities				
(Increase) decrease in inventories		(75)	(62)	(1,631)
(Increase) decrease in trade and other receivables		(51)	1,104	(1,088)
(Increase) decrease in other current assets(4)		(206)	103	448
Increase (decrease) in trade payables		112	(1,070)	719
Increase (decrease) in current provisions(5)		629	(549)	1,448
Increase (decrease) in other current liabilities(4)(5)		1,307	(762)	4,362
Change in other assets and liabilities(2)(4)(5)		(257)	(357)	73
Additions to assets held for rental in operating leases(6)		(623)	(463)	(583)
Income taxes paid		(1,951)	(1,536)	(1,564)
Dividends received		538	441	337
Interest received		688	769	875
Net cash provided by (used in) operating activities continuing and discontinued operations		9,349	6,101	8,041
Net cash provided by (used in) operating activities continuing operations		**9,447**	**6,246**	**8,738**
Cash flows from investing activities				
Additions to intangible assets and property, plant and equipment(6)		(2,336)	(2,460)	(3,138)
Acquisitions, net of cash acquired		(485)	(208)	(5,407)
Purchases of investments(3)		(422)	(972)	(151)
Purchases of current available-for-sale financial assets		(138)	(52)	(16)
(Increase) decrease in receivables from financing activities		(192)	(495)	(2,445)
Proceeds from sales of investments, intangibles and property, plant and equipment(3)		589	1,224	803
Proceeds and (payments) from disposals of businesses		93	(234)	10,481
Proceeds from sales of current available-for-sale financial assets		44	35	49

Net cash provided by (used in) investing activities continuing and discontinued operations		(2,847)	(3,162)	176
Net cash provided by (used in) investing activities continuing operations		**(2,768)**	**(2,968)**	**(9,446)**
Cash flows from financing activities				
Purchase of common stock	**27**			(4,350)
Proceeds from re-issuance of treasury stock		147	134	248
Proceeds from issuance of long-term debt	**23**		3,973	5,728
Repayment of long-term debt (including current maturities of long-term debt)		(45)	(1,076)	(691)
Change in short-term debt and other financing activities		(721)	(356)	(4,635)
Interest paid		(440)	(759)	(829)
Dividends paid	**27**	(1,388)	(1,380)	(1,462)
Dividends paid to non-controlling interest holders		(199)	(161)	(138)
Net cash provided by (used in) financing activities continuing and discontinued operations		(2,646)	375	(6,129)
Net cash provided by (used in) financing activities continuing operations		**(2,823)**	**36**	**3,730**
Effect of exchange rates on cash and cash equivalents		167	(39)	(99)
Net increase (decrease) in cash and cash equivalents		4,023	3,275	1,989
Cash and cash equivalents at beginning of period		10,204	6,929	4,940
Cash and cash equivalents at end of period		14,227	10,204	6,929
Less: Cash and cash equivalents of assets classified as held for disposal and discontinued operations at end of period		119	45	36
Cash and cash equivalents at end of period (Consolidated Statements of Financial Position)		14,108	10,159	6,893

(1) Amortization, depreciation and impairments, in fiscal 2010, includes 1,145 related to the goodwill impairment at Healthcare s Diagnostics Division. In fiscal 2009, (income) losses from investments include 1,634 related to an impairment of our equity method investment NSN. Impairments, net of reversals of impairments, on non-current available-for-sale investments are reclassified retrospectively to conform to the current year presentation.

(2) Pension related interest income (expense) is reclassified retrospectively to conform to the current year presentation.

(3) Investments include equity instruments either classified as non-current available-for-sale financial assets, accounted for using the equity method or classified as held for disposal. Purchases of investments includes certain loans to investments accounted for using the equity method.

(4) Includes effects from the retrospective application of an amended accounting pronouncement in fiscal 2010, which resulted in the reclassification of certain derivatives, not qualifying for hedge accounting, from current to non-current. In addition, the prior-year presentation related to derivatives qualifying for cash flow hedge accounting was reclassified to conform to the current year presentation.

(5) In fiscal 2010, the current portion of long-term provisions and accruals was reclassified. Prior-year amounts were adjusted to conform to the current year presentation.

(6) Following a change in accounting pronouncements with the beginning of fiscal year 2010 additions to assets held for rental in operating leases, in previous years reported under additions to intangible assets and property, plant and equipment, were retrospectively reclassified from net cash provided by (used in) investing activities to net cash provided by (used in) operating activities. For further information, see Notes to the Consolidated Financial Statements.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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SIEMENS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the fiscal years ended September 30, 2010, 2009 and 2008
(in millions of)

	Common stock	Additional paid-in capital
Balance at October 1, 2007	2,743	6,080
Net income		
Other comprehensive income, net of tax		
Dividends		
Issuance of common stock and share-based payment		(1)
Purchase of common stock		
Re-issuance of treasury stock		(67)
Other changes in equity		(15)
Balance at September 30, 2008	**2,743**	**5,997**
Balance at October 1, 2008	2,743	5,997
Net income		
Other comprehensive income, net of tax		
Dividends		
Issuance of common stock and share-based payment		63
Re-issuance of treasury stock		(114)
Other changes in equity		
Balance at September 30, 2009	**2,743**	**5,946**
Balance at October 1, 2009	2,743	5,946
Net income		
Other comprehensive income, net of tax		
Dividends		
Issuance of common stock and share-based payment		60
Re-issuance of treasury stock		(20)
Other changes in equity		
Balance at September 30, 2010	**2,743**	**5,986**

(1) Retained earnings includes actuarial gains and losses on pension plans and similar commitments of (2,053), (1,248) and (1,716), respectively, in the fiscal years ended September 30, 2010, 2009 and 2008.

(2) In the fiscal year ended September 30, 2010, Other comprehensive income includes non controlling interests of (1) relating to Actuarial gains and losses on pension plans and similar commitments, 44 relating to Currency translation differences, relating to Available-for-sale financial assets and relating to Derivative financial instruments.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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(continued)

	Total comprehensive income								
		Other components of equity							
	Retained earnings	Currency translation differences	Available-for-sale financial assets	Derivative financial instruments	Total	Treasury shares at cost	Total equity attributable to shareholders of Siemens AG	Non-controlling interests	Total equity
	20,453	(475)	126	69	20,173		28,996	631	29,627
	5,725				5,725		5,725	161	5,886
	(1,716)[1]	(314)	(122)	(237)	(2,389)		(2,389)	(2)	(2,391)
	(1,462)				(1,462)		(1,462)	(127)	(1,589)
							(1)		(1)
						(4,350)	(4,350)		(4,350)
						348	281		281
	(11)				(11)		(26)	(57)	(83)
	22,989	**(789)**	**4**	**(168)**	**22,036**	**(4,002)**	**26,774**	**606**	**27,380**
	22,989	(789)	4	(168)	22,036	(4,002)	26,774	606	27,380
	2,292				2,292		2,292	205	2,497
	(1,248)[1]	(505)	72	329	(1,352)		(1,352)	(2)	(1,354)
	(1,380)				(1,380)		(1,380)	(137)	(1,517)
							63		63
						370	256		256
	(7)				(7)		(7)	(31)	(38)
	22,646	**(1,294)**	**76**	**161**	**21,589**	**(3,632)**	**26,646**	**641**	**27,287**
	22,646	(1,294)	76	161	21,589	(3,632)	26,646	641	27,287
	3,899				3,899		3,899	169	4,068
	(2,053)[1]	1,176	19	(149)	(1,007)		(1,007)	43	(964)[2]
	(1,388)				(1,388)		(1,388)	(183)	(1,571)
	(19)				(19)		41		41
						259	239		239
	(87)	3			(84)		(84)	80	(4)
	22,998	**(115)**	**95**	**12**	**22,990**	**(3,373)**	**28,346**	**750**	**29,096**

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SIEMENS NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEGMENT INFORMATION (continuing operations)
As of and for the fiscal years ended September 30, 2010, 2009 and 2008
(in millions of)

	New orders[1]			**External revenue**			**Intersegment revenue**		
	2010	*2009*	*2008*	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Sectors									
Industry	*34,908*	*33,284*	*42,374*	33,728	33,915	36,526	1,141	1,128	1,127
Energy	*30,122*	*30,076*	*33,428*	25,204	25,405	22,191	316	388	386
Healthcare	*12,872*	*11,950*	*11,779*	12,280	11,864	11,116	85	63	54
Total Sectors	***77,902***	***75,310***	***87,581***	**71,212**	**71,184**	**69,833**	**1,541**	**1,579**	**1,567**
Equity Investments									
Cross-Sector Businesses									
Siemens IT Solutions and Services	*4,226*	*4,501*	*5,272*	3,150	3,580	3,845	1,005	1,106	1,480
Siemens Financial Services (SFS)	*787*	*778*	*756*	661	663	675	126	114	81
Reconciliation to Consolidated Financial Statements									
Centrally managed portfolio activities	*414*	*474*	*2,243*	324	461	2,068	21	42	148
Siemens Real Estate (SRE)	*1,941*	*1,763*	*1,665*	303	364	388	1,625	1,399	1,277
Corporate items and pensions	*418*	*380*	*823*	329	399	518	140	74	316
Eliminations, Corporate Treasury and other reconciling items	*(4,525)*	*(4,215)*	*(4,845)*				(4,458)	(4,314)	(4,869)
Siemens	***81,163***	***78,991***	***93,495***	**75,978**	**76,651**	**77,327**			

(1) This supplementary information on *New orders* is provided on a voluntary basis. It is not part of the Consolidated Financial Statements subject to the audit opinion.

(2) *Profit* of the **Sectors** as well as of **Equity Investments**, **Siemens IT Solutions and Services** and **Centrally managed portfolio activities** is earnings before financing interest, certain pension costs and income taxes. Certain other items not considered performance indicative by Management may be excluded. *Profit* of **SFS** and **SRE** is Income before income taxes.

(3) *Assets* of the **Sectors** as well as of **Equity Investments**, **Siemens IT Solutions and Services** and **Centrally managed portfolio activities** is defined as Total assets less income tax assets, less non-interest bearing

liabilities/provisions other than tax liabilities. *Assets* of **SFS** and **SRE** is Total assets.

(4) *Free cash flow* represents net cash provided by (used in) operating activities less additions to intangible assets and property, plant and equipment. *Free cash flow* of the **Sectors**, **Equity Investments**, **Siemens IT Solutions and Services** and **Centrally managed portfolio activities** primarily exclude income tax, financing interest and certain pension related payments and proceeds. *Free cash flow* of **SFS**, a financial services business, and of **SRE** includes related financing interest payments and proceeds; income tax payments and proceeds of **SFS** and **SRE** are excluded.

(5) To correspond with the presentation in the Consolidated Statements of Cash Flow, with the beginning of fiscal year 2010 additions to intangible assets and property, plant and equipment are reported excluding additions to assets held for rental in operating leases. Additions to assets held for rental in operating leases amount 623, 463 and 543 in the fiscal years ended September 30, 2010, 2009 and 2008, respectively. For further information, see Notes to the Consolidated Financial Statements.

(6) *Amortization, depreciation and impairments* contains amortization and impairments, net of reversals of impairments, of intangible assets other than goodwill as well as depreciation and impairments of property, plant and equipment, net of reversals of impairments.

(7) Fiscal 2010 include higher personnel-related expenses, including expenses of 310 million related to special remuneration for non-management employees. After allocation of the remuneration to the Sectors is determined in the first quarter of fiscal 2011, the expenses will be allocated primarily to the Sectors.

Due to rounding, numbers presented may not add up precisely to totals provided.

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Profit[2]			Assets[3]			Free cash flow[4]			Additions to intangible assets and property, plant and equipment[5]		
2010	**2009**	**2008**	**9/30/10**	**9/30/09**	**9/30/08**	**2010**	**2009**	**2008**	**2010**	**2009**	**20**
3,478	2,701	3,947	10,014	10,551	11,923	4,020	3,340	3,807	817	818	1
3,562	3,315	1,434	805	1,594	913	4,522	2,523	2,940	579	662	
748	1,450	1,225	11,952	12,813	13,257	2,391	1,743	1,195	328	353	
7,789	**7,466**	**6,606**	**22,771**	**24,958**	**26,093**	**10,934**	**7,606**	**7,942**	**1,724**	**1,833**	**2**
(191)	(1,851)	95	3,319	3,833	5,587	402	236	148			
(537)	90	144	(150)	241	241	(116)	1	156	138	114	
447	304	286	12,506	11,704	11,328	333	330	(50)	95	154	
(139)	(371)	(440)	(574)	(543)	(973)	(130)	(233)	(209)	8	10	
250	341	356	5,067	4,489	3,489	9	3	(42)	328	298	
(1,479)[7]	(1,715)	(3,873)	(10,447)	(7,445)	(6,978)	(1,951)	(2,766)	(1,826)	57	64	
(328)	(373)	(300)	70,335	57,589	55,676	(2,371)	(1,391)	(380)	(13)	(13)	
5,811	**3,891**	**2,874**	**102,827**	**94,826**	**94,463**	**7,111**	**3,786**	**5,739**	**2,336**	**2,460**	**2**

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1. Basis of presentation

The accompanying Consolidated Financial Statements present the operations of Siemens AG with registered offices in Berlin and Munich, Germany, and its subsidiaries (the Company or Siemens). They have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The financial statements are also in accordance with IFRS as issued by the IASB. Certain pronouncements have been early adopted, see Note 2.

Siemens prepares and reports its Consolidated Financial Statements in euros ( ). Siemens is a German based multinational corporation with a balanced business portfolio of activities predominantly in the field of electronics and electrical engineering (for further information see Note 37).

The Consolidated Financial Statements were authorised for issue by the Managing Board on November 25, 2010. The Consolidated Financial Statements are generally prepared on the historical cost basis, except as stated in Note 2.

2. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements.

Basis of consolidation The Consolidated Financial Statements include the accounts of Siemens AG and its subsidiaries which are directly or indirectly controlled. Control is generally conveyed by ownership of the majority of voting rights. Additionally, the Company consolidates special purpose entities (SPE s) when, based on the evaluation of the substance of the relationship with Siemens, the Company concludes that it controls the SPE. To determine when the Company should consolidate based on substance, Siemens considers the circumstances listed in SIC-12.10 as additional indicators regarding a relationship in which Siemens controls an SPE. Siemens looks at these SIC-12.10 circumstances as indicators and always privileges an analysis of individual facts and circumstances on a case-by-case basis. Associated companies are recorded in the Consolidated Financial Statements using the equity method of accounting. Companies in which Siemens has joint control are also recorded using the equity method.

Business combinations Business combinations are accounted for under the acquisition method. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed in the period incurred. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Uniform accounting policies are applied. Changes to contingent consideration classified as a liability at the acquisition date are recognized in profit and loss. Non-controlling interests may be measured at their fair value (full-goodwill-methodology) or at the proportional fair value of assets acquired and liabilities assumed. After initial recognition non-controlling interests may show a deficit balance since both profits and losses are allocated to the shareholders based on their equity interests. In business combinations achieved in stages, any previously held equity interest in the acquiree is remeasured to its acquisition date fair value. If there is no loss of control, transactions with non-controlling interests are accounted for as equity transactions not affecting profit and loss. At the date control is lost, any retained equity interests are re-measured to fair value.

Associated companies Companies in which Siemens has the ability to exercise significant influence over operating and financial policies (generally through direct or indirect ownership of 20 percent to 50 percent of the voting rights) are recorded in the Consolidated Financial Statements using the equity method of accounting and are initially recognized at cost. Where necessary, adjustments are made to bring the accounting policies in line with those of Siemens. The excess of Siemens initial investment in associated companies over Siemens ownership

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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percentage in the underlying net assets of those companies is attributed to certain fair value adjustments with the remaining portion recognized as goodwill. Goodwill relating to the acquisition of associated companies is included in the carrying amount of the investment and is not amortized but is tested for impairment as part of the overall investment in the associated company. Siemens share of its associated companies post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in equity that have not been recognized in the associates profit or loss is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the associated company. When Siemens share of losses in an associated company equals or exceeds its interest in the associate, Siemens does not recognize further losses, unless it incurs obligations or makes payments on behalf of the associate. The interest in an associate is the carrying amount of the investment in the associate together with any long-term interests that, in substance, form part of Siemens net investment in the associate. Intercompany results arising from transactions between Siemens and its associated companies are eliminated to the extent of Siemens interest in the associated company. Siemens determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, Siemens calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. Upon loss of significant influence over the associate, Siemens measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

Foreign currency translation The assets, including goodwill, and liabilities of foreign subsidiaries, where the functional currency is other than the euro, are translated using the exchange rate at the end of the reporting period, while the Statements of Income are translated using average exchange rates during the period. Differences arising from such translations are recognized within equity and reclassified to net income when the gain or loss on disposal of the foreign subsidiary is recognized.

The exchange rates of the significant currencies of non-euro countries used in the preparation of the Consolidated Financial Statements were as follows:

		Year-end exchange rate 1 quoted into currencies specified below September 30,		Annual average rate 1 quoted into currencies specified below Fiscal year		
Currency	**ISO Code**	**2010**	**2009**	**2010**	**2009**	**2008**
U.S. Dollar	USD	1.365	1.464	1.358	1.361	1.507
British Pound	GBP	0.860	0.909	0.869	0.875	0.763
Chinese Renminbi	CNY	9.133	9.966	9.226	9.340	10.701
Indian Rupee	INR	61.247	70.001	62.754	66.335	61.954

Hyperinflationary accounting Financial statements of foreign subsidiaries, where the functional currency is the currency of a hyperinflationary economy, are adjusted to reflect changes in general purchasing power. In such instances, all items which are recognized on the Statement of Financial Position and in the Statements of Income are translated using the exchange rate at closing. Each non-monetary item on the Statement of Financial Position which is carried at cost or amortized cost and each transaction in the Statements of Income are restated by applying a general price index from the date of acquisition or initial incurrence of these items. The cumulative effects of inflation are recognized in the retained earnings at first time adoption or as gains and losses in net income at subsequent periods.

Revenue recognition Revenue is recognized for product sales when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the risks and rewards of ownership have been

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transferred to the customer, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured. If product sales are subject to customer acceptance, revenue is not recognized until customer acceptance occurs. Revenues from construction-type projects are generally recognized under the percentage-of-completion method, based on the percentage of costs to date compared to the total estimated contract costs, contractual milestones or performance. Revenues from service transactions are recognized as services are performed. For long-term service contracts, revenues are recognized on a straight-line basis over the term of the contract or, if the performance pattern is other than straight-line, as the services are provided, i.e. generally under the percentage-of-completion method. Operating lease income for equipment rentals is recognized on a straight-line basis over the lease term. Arrangements that are not in the legal form of a lease are accounted for as a lease if based on the substance of the arrangement it is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Receivables from finance leases, in which Siemens as lessor transfers substantially all the risks and rewards incidental to ownership to the customer are recognized at an amount equal to the net investment in the lease. Finance income is subsequently recognized based on a pattern reflecting a constant periodic rate of return on the net investment using the effective interest method. A selling profit component on manufacturing leases is recognized based on the policies for outright sales. Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.

Sales of goods and services as well as software arrangements sometimes involve the provision of multiple elements. In these cases, the Company determines whether the contract or arrangement contains more than one unit of accounting. An arrangement is separated if (1) the delivered element(s) has (have) value to the customer on a stand-alone basis, (2) there is reliable evidence of the fair value of the undelivered element(s) and (3), if the arrangement includes a general right of return relative to the delivered element(s), delivery or performance of the undelivered element(s) is (are) considered probable and substantially in the control of the Company. If all three criteria are fulfilled, the appropriate revenue recognition convention is then applied to each separate unit of accounting. Generally, the total arrangement consideration is allocated to the separate units of accounting based on their relative fair values. The hierarchy of fair value evidence is as follows: (a) sales prices for the component when it is regularly sold on a stand-alone basis, (b) third-party prices for similar components or, under certain circumstances, (c) cost plus an adequate business-specific profit margin related to the relevant element. By this means, reliable fair values are generally available. However, there might be cases when fair value evidence according to (a) and (b) is not available and the application of the cost plus-method (c) does not create reasonable results because the costs incurred are not an appropriate base for the determination of the fair value of an element. In such cases the residual method is used, if fair value evidence is available for the undelivered but not for one or more of the delivered elements, i.e. the amount allocated to the delivered elements equals the total arrangement consideration less the aggregate fair value of the undelivered elements. If the three separation criteria (1) to (3) are not met, revenue is deferred until such criteria are met or until the period in which the last undelivered element is delivered. The amount allocable to the delivered elements is limited to the amount that is not contingent upon delivery of additional elements or meeting other specified performance obligations.

Dividends are recognized when the right to receive payment is established. Interests are recognized using the effective interest method.

Functional costs In general, operating expenses by types are assigned to the functions following the functional area of the corresponding profit and cost centers. Expenses relating to cross-functional initiatives or projects are assigned to the respective functional costs based on an appropriate allocation principle.

Government grants Government grants are recognized when there is reasonable assurance that the conditions attached to the grants are complied with and the grants will be received. Grants awarded for the purchase or the production of fixed assets (grants related to assets) are generally offset against the acquisition or production costs of the respective assets and reduce future depreciations accordingly. Grants awarded for other than

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non-current assets (grants related to income) are reported in the Consolidated Statements of Income under the same functional area as the corresponding expenses. They are recognized as income over the periods necessary to match them on a systematic basis to the costs that are intended to be compensated. Government grants for future expenses are recorded as deferred income.

Product-related expenses and losses from onerous contracts Provisions for estimated costs related to product warranties are recorded in *Cost of goods sold and services rendered* at the time the related sale is recognized, and are established on an individual basis, except for the standard product business. The estimates reflect historic trends of warranty costs, as well as information regarding product failure experienced during construction, installation or testing of products. In the case of new products, expert opinions and industry data are also taken into consideration in estimating product warranty provisions. Expected losses from onerous contracts are recognized in the period when the current estimate of total contract costs exceeds contract revenue.

Research and development costs Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred.

Costs for development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and Siemens intends, and has sufficient resources, to complete development and to use or sell the asset. The costs capitalized include the cost of materials, direct labour and other directly attributable expenditure that serves to prepare the asset for use. Such capitalized costs are included in *Other intangible assets* as other internally generated intangible assets, see Note 17. Other development costs are expensed as incurred. Capitalized development costs are stated at cost less accumulated amortization and impairment losses with an amortization period of generally three to five years.

Government grants for research and development activities are offset against research and development costs. They are recognized as income over the periods in which the research and development costs incur that are to be compensated. Government grants for future research and development costs are recorded as deferred income.

Earnings per share Basic earnings per share is computed by dividing income from continuing operations, income from discontinued operations and net income, all attributable to ordinary shareholders of Siemens AG by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by assuming conversion or exercise of all potentially dilutive securities and share-based payment plans.

Goodwill Goodwill is not amortized, but instead tested for impairment annually, as well as whenever there are events or changes in circumstances (triggering events) which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses.

The goodwill impairment test is performed at the level of Divisions which represent cash-generating units or groups of cash-generating units and are the lowest level at which goodwill is monitored for internal management purposes.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the (groups of) cash-generating unit(s) that are expected to benefit from the synergies of the business combination. If the carrying amount of the Division, to which the goodwill is allocated, exceeds its recoverable amount, an impairment loss on goodwill allocated to this Division is recognised. The recoverable amount is the higher of the Division s fair value less costs to sell and its value in use. If either of these amounts exceeds the carrying amount, it is not always necessary to determine both amounts. Siemens determines the recoverable amount of a Division based on its fair value less costs to sell. These values are generally determined based on discounted cash flow calculations. Impairment losses on goodwill are not reversed in future periods if the recoverable amount exceeds the carrying

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amount of the (group of) cash-generating unit(s) to which the goodwill is allocated; see Note 16 for further information.

Other intangible assets Other intangible assets consist of software and other internally generated intangible assets, patents, licenses and similar rights. The Company amortizes intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives to their estimated residual values. Estimated useful lives for software, patents, licenses and other similar rights generally range from three to five years, except for intangible assets with finite useful lives acquired in business combinations. Intangible assets acquired in business combinations primarily consist of customer relationships and technology. Weighted average useful lives in specific acquisitions ranged from nine to twenty-two years for customer relationships and from seven to twelve years for technology. Intangible assets which are determined to have indefinite useful lives as well as intangible assets not yet available for use are not amortized, but instead tested for impairment at least annually.

Property, plant and equipment Property, plant and equipment is valued at cost less accumulated depreciation and impairment losses. If the costs of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation expense is recognized using the straight-line method. Residual values and useful lives are reviewed annually and, if expectations differ from previous estimates, adjusted accordingly. Costs of construction of qualifying assets, i.e. assets that require a substantial period of time to be ready for its intended use, include capitalized interest, which is amortized over the estimated useful life of the related asset. The following useful lives are assumed:

Factory and office buildings	20 to 50 years
Other buildings	5 to 10 years
Technical machinery & equipment	5 to 10 years
Furniture & office equipment	generally 5 years
Equipment leased to others	generally 3 to 5 years

Impairment of property, plant and equipment and other intangible assets The Company reviews property, plant and equipment and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets with indefinite useful lives as well as intangible assets not yet available for use are subject to an annual impairment test. Recoverability of assets is measured by the comparison of the carrying amount of the asset to the recoverable amount, which is the higher of the asset s value in use and its fair value less costs to sell. If assets do not generate cash inflows that are largely independent of those from other assets or groups of assets, the impairment test is not performed at an individual asset level, instead, it is performed at the level of the cash-generating unit the asset belongs to. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets or cash generating unit exceeds their recoverable amount. If the fair value cannot be determined, the assets value in use is applied as their recoverable amount. The assets value in use is measured by discounting their estimated future cash flows. If there is an indication that the reasons which caused the impairment no longer exist, Siemens assesses the need to reverse all or a portion of the impairment.

The Company s property, plant and equipment and other intangible assets to be disposed of are recorded at the lower of carrying amount or fair value less costs to sell and depreciation is ceased.

Discontinued operations and non-current assets held for disposal Discontinued operations are reported when a component of an entity comprising operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity is classified as held for sale or has been disposed of, if the component either (a) represents a separate major line of business or geographical area of operations or (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale.

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Siemens classifies a non-current asset or a disposal group (outside discontinued operations) as held for disposal if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups and its sale must be highly probable.

Income taxes The Company applies IAS 12, *Income Taxes.* Under the liability method of IAS 12, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement, unless related to items directly recognized in equity, in the period the new laws are substantively enacted. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized.

Inventories Inventory is valued at the lower of acquisition or production cost and net realizable value, cost being generally determined on the basis of an average or first-in, first-out method. Production costs comprise direct material and labor and applicable manufacturing overheads, including depreciation charges. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Defined benefit plans Siemens measures the entitlements of the defined benefit plans by applying the projected unit credit method. The approach reflects an actuarially calculated net present value of the future benefit entitlement for services already rendered. In determining the net present value of the future benefit entitlement for service already rendered (Defined Benefit Obligation (DBO)), Siemens considers future compensation and benefit increases, because the employee s final benefit entitlement at regular retirement age depends on future compensation or benefit increases. For post-employment healthcare benefits, Siemens considers health care trends in the actuarial valuations.

For unfunded plans, Siemens recognizes a pension liability equal to the DBO adjusted by unrecognized past service cost. For funded plans, Siemens offsets the fair value of the plan assets with the benefit obligations. Siemens recognizes the net amount, after adjustments for effects relating to unrecognized past service cost and any asset ceiling, under pension liability or pension asset.

Actuarial gains and losses, resulting for example from an adjustment of the discount rate or from a difference between actual and expected return on plan assets, are recognized by Siemens in the Consolidated Statements of Comprehensive Income in the year in which they occur. Those effects are recorded in full directly in equity, net of tax.

Provisions A provision is recognized in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognized at present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. When a contract becomes onerous, the present obligation under the contract is recognized as a provision and measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract as far as they exceed the expected economic benefits of the contract. Additions to provisions and reversals are generally recognized in the income statement. The present value of legal obligations associated with the retirement of property, plant and equipment (asset retirement obligations) that result from the acquisition, construction, development or normal use of an asset is added to the carrying amount of the related asset. The additional carrying amount is depreciated over the useful life of the related asset. Additions to and reductions from the present value of asset retirement obligations that result from changes in

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estimates are generally recognized by adjusting the carrying amount of the related asset and provision. If the asset retirement obligation is settled for other than the carrying amount of the liability, the Company recognizes a gain or loss on settlement.

Termination benefits Termination benefits are recognized in the period incurred and when the amount is reasonably estimable. Termination benefits in accordance with IAS 19 are recognized as a liability and an expense when the entity is demonstrably committed, through a formal termination plan or otherwise creating a valid expectation, to either provide termination benefits as a result of an offer made in order to encourage voluntary redundancy or terminate employment before the normal retirement date.

Financial instruments A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets of the Company mainly include cash and cash equivalents, available-for-sale financial assets, trade receivables, loans receivable, finance lease receivables and derivative financial instruments with a positive fair value. Cash and cash equivalents are not included within the category available-for-sale financial assets as these financial instruments are not subject to fluctuations in value. Siemens does not make use of the category held to maturity. Financial liabilities of the Company mainly comprise notes and bonds, loans from banks, commercial paper, trade payables, finance lease payables and derivative financial instruments with a negative fair value. Siemens does not make use of the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option). Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortized cost and financial assets and financial liabilities measured at fair value and as receivables from finance leases. See Notes 31 and 32 for further information.

Financial instruments are recognized on the Statement of Financial Position when Siemens becomes a party to the contractual obligations of the instrument. Regular way purchases or sales of financial assets, i.e. purchases or sales under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, are accounted for at the trade date.

Initially, financial instruments are recognized at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only recognized in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Finance lease receivables are recognized at an amount equal to the net investment in the lease. Subsequently, financial assets and liabilities are measured according to the category cash and cash equivalents, available-for-sale financial assets, loans and receivables, financial liabilities measured at amortized cost or financial assets and liabilities classified as held for trading to which they are assigned.

Cash and cash equivalents The Company considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost.

Available-for-sale financial assets Investments in equity instruments, debt instruments and fund shares are all classified as available-for-sale financial assets and are measured at fair value, if reliably measurable. Unrealized gains and losses, net of applicable deferred income taxes, are recognized in *Other comprehensive income*. Provided that fair value cannot be reliably determined, Siemens measures available-for-sale financial instruments at cost. This applies to equity instruments that do not have a quoted market price in an active market, and decisive parameters cannot be reliably estimated to be used in valuations models for the determination of fair value.

When available-for-sale financial assets incur a decline in fair value below acquisition cost and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in equity is removed from equity and recognized in the Consolidated Statements of Income. The Company considers all available evidence such as market conditions and prices, investee-specific factors and the duration and the extent to which fair value is less than acquisition cost in evaluating potential impairment of its available-for-sale financial assets. The Company

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considers a decline in fair value as objective evidence of impairment, if the decline exceeds 20 percent of costs or continues for more than six months. An impairment loss is reversed in subsequent periods for debt instruments, if the reasons for the impairment no longer exist.

Loans and receivables Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method less any impairment losses. Impairment losses on trade and other receivables are recognized using separate allowance accounts. See Note 3 for further information regarding the determination of impairment. Loans and receivables bearing no or lower interest rates compared to market rates with a maturity of more than one year are being discounted.

Financial liabilities Siemens measures financial liabilities, except for derivative financial instruments, at amortized cost using the effective interest method.

Derivative financial instruments Derivative financial instruments, such as foreign currency exchange contracts and interest rate swap contracts, are measured at fair value. Derivative instruments are classified as held for trading unless they are designated as hedging instruments, for which hedge accounting is applied. Changes in the fair value of derivative financial instruments are recognized periodically either in net income or, in the case of a cash flow hedge, in *Other comprehensive income,* net of applicable deferred income taxes. Certain derivative instruments embedded in host contracts are also accounted for separately as derivatives.

Fair value hedges The carrying amount of the hedged item is adjusted by the gain or loss attributable to the hedged risk. Where an unrecognized firm commitment is designated as the hedged item, the subsequent cumulative change in its fair value is recognized as a separate financial asset or liability with corresponding gain or loss recognized in net income.

For hedged items carried at amortized cost, the adjustment is amortized such that it is fully amortized by maturity of the hedged item. For hedged firm commitments the initial carrying amount of the assets or liabilities that result from meeting the firm commitments are adjusted to include the cumulative changes in the fair value that were previously recognized as separate financial assets or liabilities.

Cash flow hedges The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges are recognized in *Other comprehensive income*, net of applicable deferred income taxes, and any ineffective portion is recognized immediately in net income. Amounts accumulated in equity are reclassified into net income in the same periods in which the hedged item affects net income, see Note 32 for further information.

Share-based payment IFRS 2 distinguishes between cash-settled and equity-settled share-based payment transactions. For both types, the fair value is measured at grant date and compensation expense is recognized over the vesting period during which the employees become unconditionally entitled to the awards granted. Cash-settled awards are re-measured at fair value at the end of each reporting period and upon settlement. Siemens uses an option pricing model to determine the fair value of stock options. The fair value of other share-based awards, such as stock awards, matching shares, and shares granted under the Jubilee Share Program, is determined as the market price of Siemens shares, considering dividends during the vesting period the grantees are not entitled to and certain non-vesting conditions, if applicable. See Note 34 for further information on share-based awards.

Prior year information The presentation of certain prior year information has been reclassified to conform to the current year presentation. Specifically, in May 2008, the IASB issued a standard for improvements to International Financial Reporting Standards. In the Consolidated Statements of Cash Flow, according to an amendment of IAS 7, *Statement of Cash Flows*, cash flows to manufacture or acquire assets held for rental and subsequent sale in the course of the ordinary activities are presented as cash flows from operating activities. Previously, cash outflows in the context of operating leases have been presented as cash flows from investing activities. The amended IAS 7 is effective for annual periods beginning on or after January 1, 2009. Siemens applied

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the amendment retrospectively in the Statement of Cash Flow in fiscal year 2010. The amended IAS 1, applied retrospectively in fiscal 2010, resulted in the reclassification of certain derivative financial instruments, not qualifying for hedge accounting, from current to non-current. As of September 30, 2008, 227 were reclassified from *Other current financial assets* to *Other financial assets* and 334 from *Other current financial liabilities* to *Other financial liabilities*. As of September 30, 2009, the reclassification from *Other current financial assets and liabilities* to *Other financial assets and liabilities* amounted to 507 and 555, respectively. Beginning in fiscal 2010, the Company presents total interest income and expense separately in the Consolidated Statements of Income in accordance with Part II of the Annual Improvements Project 2008 of the IASB. Additionally, pension-related interest income (expense) as well as impairments, net of reversals of impairments, on investments accounted for using the equity method and non-current available-for-sale investments are reclassified retrospectively in the Consolidated Statements of Cash Flow to conform to the current year presentation.

Recently adopted accounting pronouncements

In January 2008, the IASB published the revised standards IFRS 3, *Business Combinations* (IFRS 3 (2008)) and IAS 27, *Consolidated and Separate Financial Statements* (IAS 27 (2008)) which were endorsed in fiscal 2009. The revised standards are effective for business combinations in annual periods beginning on or after July 1, 2009 and were applied by the Company as of fiscal 2010 including its consequential amendments to IFRS 2, IFRS 7 and IAS 39.

IFRS 3 (2008) reconsiders the application of acquisition accounting for business combinations. Major changes relate to the measurement of non-controlling interests, the accounting for business combinations achieved in stages as well as the treatment of contingent consideration and acquisition-related costs. Based on the new regulation, non-controlling interests may be measured at their fair value (full-goodwill-methodology) or at the proportional fair value of assets acquired and liabilities assumed. In business combinations achieved in stages, any previously held equity interest in the acquiree is remeasured to its acquisition date fair value. Any changes to contingent consideration classified as a liability at the acquisition date are recognized in profit and loss. Acquisition-related costs are expensed in the period incurred.

Major changes in relation to IAS 27 (2008) relate to the accounting for transactions which do not result in a change of control as well as to those leading to a loss of control. If there is no loss of control, transactions with non-controlling interests are accounted for as equity transactions not affecting profit and loss. At the date control is lost, any retained equity interests are re-measured to fair value. Based on the amended standard, non-controlling interests may show a deficit balance since both profits and losses are allocated to the shareholders based on their equity interests.

In September 2007, the International Accounting Standards Board (IASB) issued IAS 1, *Presentation of Financial Statements: A Revised Presentation (IAS 1 revised)*. IAS 1 revised replaces IAS 1, *Presentation of Financial Statements (revised in 2003)*, as amended in 2005. The revision is aimed at improving users ability to analyze and compare the information given in financial statements. IAS 1 revised sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The new standard is effective for fiscal periods beginning on or after January 1, 2009. The Company retrospectively applied *IAS 1 revised* in fiscal 2010 for all periods presented.

In fiscal 2010, the Company also adopted IAS 7 *Statements of Cash Flows* (retrospectively) and IAS 16 *Property, Plant and Equipment* in conjunction with the 2008 Improvements to IFRSs as well as IAS 23 *Borrowing Costs (as* *revised 2007).*

In March 2009, the IASB issued *Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)* which enhances disclosures about fair value measurements of Financial

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Instruments. A three-level fair value disclosure hierarchy is introduced, that distinguishes fair value measurements by the significance of the inputs used and reflects the availability of observable market inputs when estimating fair values. Amendments are also made to enhance disclosures on liquidity risks, by clarifying the scope of liabilities to be disclosed in a maturity analysis. Siemens decided to early adopt the amendment in its fiscal 2009 Consolidated Financial Statements.

Recent accounting pronouncements, not yet adopted

The following pronouncement, issued by the IASB, is not yet effective and has not yet been adopted by the Company:

In November 2009, the IASB issued IFRS 9 *Financial Instruments.* This standard is the first phase of the IASB s three-phase project to replace IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 amends the classification and measurement requirements for financial assets, including some hybrid contracts. It uses a single approach to determine whether a financial asset is measured at amortized cost or at fair value, replacing the different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the different impairment methods in IAS 39. The new standard is applicable for annual reporting periods beginning on or after January 1, 2013; early adoption is permitted. The European Financial Reporting Advisory Group postponed its endorsement advice, to take more time to consider the output from the IASB project to improve accounting for financial instruments. The Company is currently assessing the impacts of the adoption on the Company s Consolidated Financial Statements.

The IASB issued various other pronouncements. These recently adopted pronouncements as well as pronouncements not yet adopted did not have a material impact on Siemens Consolidated Financial Statements.

3. Critical accounting estimates

Siemens Consolidated Financial Statements are prepared in accordance with IFRS as issued by the IASB and as adopted by the EU. Siemens significant accounting policies, as described in Note 2 are essential to understanding the Company s results of operations, financial positions and cash flows. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on the Company s results of operations, financial positions and cash flows. Critical accounting estimates could also involve estimates where management reasonably could have used a different estimate in the current accounting period. Management cautions that future events often vary from forecasts and that estimates routinely require adjustment.

Revenue recognition on construction contracts The Company s Sectors, particularly Energy and Industry, conduct a significant portion of their business under construction contracts with customers. The Company generally accounts for construction projects using the percentage-of-completion method, recognizing revenue as performance on contract progresses. Certain long-term service contracts are accounted for under the percentage-of-completion method as well. This method places considerable importance on accurate estimates of the extent of progress towards completion. Depending on the methodology to determine contract progress, the significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgments. Management of the operating Divisions continually reviews all estimates involved in such construction contracts and adjusts them as necessary. The Company also uses the percentage-of-completion method for projects financed directly or indirectly by Siemens. In order to qualify for such accounting, the credit quality of the customer must meet certain minimum parameters as evidenced by the customer s credit rating or by a credit analysis performed by Siemens Financial Services (SFS), which performs such reviews on behalf of the Company s

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Managing Board. In addition, to qualify for such accounting, at a minimum, a customer s credit rating must be single B from external rating agencies or an equivalent SFS-determined rating. In cases where the credit quality does not meet such standards, the Company recognizes revenue for construction contracts and financed projects based on the lower of cash if irrevocably received, or contract completion. The Company believes the credit factors used provide a reasonable basis for assessing credit quality.

Trade and other receivables The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio basis. For the determination of the country-specific component of the individual allowance, we also consider country credit ratings, which are centrally determined based on information from external rating agencies. Regarding the determination of the valuation allowance derived from a portfolio-based analysis of historical bad debts, a decline of receivables in volume results in a corresponding reduction of such provisions and vice versa. As of September 30, 2010 and 2009, Siemens recorded a total valuation allowance for accounts receivable of 1,161 and 1,281, respectively.

Impairment Siemens tests at least annually whether goodwill has incurred any impairment, in accordance with its accounting policy. The determination of the recoverable amount of a Division to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced e.g. by the successful integration of acquired entities, volatility of capital markets and foreign exchange rate fluctuations. The recoverable amount is the higher of the Division s fair value less costs to sell and its value in use. The Company generally uses discounted cash flow based methods to determine these values. These discounted cash flow calculations use five-year projections that are based on the financial budgets approved by management. Cash flow projections take into account past experience and represent management s best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates, weighted average cost of capital and tax rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. In fiscal 2010 a goodwill impairment of 1,145 was recognized in the Diagnostics Division of Sector Healthcare. See Note 16 for further information as well as for parameters of Healthcare s Diagnostics Division impairment test.

Likewise, whenever property, plant and equipment, other intangible assets and investments accounted for using the equity method are tested for impairment, the determination of the assets recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.

In the three months ended September 30, 2009, NSN, presented in the segment Equity Investments was tested for impairment. The main triggering events were NSN s loss of market share as well as a decrease in the product business operations resulting in significantly adjusted financial forecasts of future cash flows of NSN. The NSN impairment test is based on fair value less costs to sell applying a discounted cash flow method. As a result, an impairment loss of 1,634 was recognized in fiscal 2009. Whether future impairments of our investment in NSN will be required is dependent on its ability to grow and/or otherwise return to increasing profitability.

Employee benefit accounting Pension plans and similar commitments Obligations for pension and other post-employment benefits and related net periodic benefit costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates, expected return on plan assets, expected salary increases, mortality rates and health care trend rates. The discount rate assumptions are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields aren t available discount rates are based on government bonds yields. Expected returns on plan assets assumptions are determined on a uniform methodology, considering long-term historical returns and asset allocations. Due to changing market and economic conditions the underlying key assumptions

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may differ from actual developments and may lead to significant changes in pension and other post-employment benefit obligations. Such differences are recognized in full directly in equity in the period in which they occur without affecting profit or loss. For a discussion of the current funded status and a sensitivity analysis with respect to the impact of certain critical assumptions on the net periodic benefit cost see Note 24.

Termination benefits Siemens runs restructuring projects on an individual basis. Costs in conjunction with terminating employees and other exit costs are subject to significant estimates and assumptions. See Note 5 for further information.

Provisions Significant estimates are involved in the determination of provisions related to onerous contracts, warranty costs, asset retirement obligations and legal proceedings. A significant portion of the business of certain operating Divisions is performed pursuant to long-term contracts, often for large projects, in Germany and abroad, awarded on a competitive bidding basis. Siemens records a provision for onerous sales contracts when current estimates of total contract costs exceed expected contract revenue. Such estimates are subject to change based on new information as projects progress toward completion. Onerous sales contracts are identified by monitoring the progress of the project and updating the estimate of total contract costs which also requires significant judgment relating to achieving certain performance standards, for example in the IT service business, the Mobility Division, Industry Solutions Division, Workflow and Solutions Division and the Energy Sector as well as estimates involving warranty costs. Significant estimates and assumptions are also involved in the determination of provisions related to major asset retirement obligations. Uncertainties surrounding the amount to be recognized include, for example, the estimated costs of decommissioning because of the long time frame over which future cash outflows are expected to occur including the respective interest accretion. Amongst others, the estimated cash outflows could alter significantly if, and when, political developments affect the government s plans to develop the final storage. See Note 25 *Provisions* for further information on major asset retirement obligations.

Siemens is subject to legal and regulatory proceedings in various jurisdictions. Such proceedings may result in criminal or civil sanctions, penalties or disgorgements against the Company. If it is more likely than not that an obligation of the Company exists and will result in an outflow of resources, a provision is recorded if the amount of the obligation can be reliably estimated. Regulatory and legal proceedings as well as government investigations often involve complex legal issues and are subject to substantial uncertainties. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the end of the reporting period, whether it is more likely than not that such a proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. The Company periodically reviews the status of these proceedings with both inside and outside counsel. These judgments are subject to change as new information becomes available. The required amount of a provision may change in the future due to new developments in the particular matter. Revisions to estimates may significantly impact future net income. Upon resolution, Siemens may incur charges in excess of the recorded provisions for such matters. It cannot be excluded, that the financial position or results of operations of Siemens will be materially affected by an unfavorable outcome of legal or regulatory proceedings or government investigations. See Note 30 for further information on legal proceedings.

Income taxes Siemens operates in various tax jurisdictions and therefore has to determine tax positions under respective local tax laws and tax authorities views which can be complex and subject to different interpretations of taxpayers and local tax authorities. Deferred tax assets are recognized if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities. As of each period-end, management evaluates the recoverability of deferred tax assets, based on projected future taxable profits. As future developments are uncertain and partly beyond management s control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient

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evidence to revise the assumption. If management considers it probable that all or a portion of a deferred tax asset cannot be realized, a corresponding valuation allowance is taken into account.

4. Acquisitions, dispositions and discontinued operations

a) Acquisitions

In fiscal 2010, 2009 and 2008, the Company completed a number of acquisitions. These acquisitions have been accounted for under the acquisition method and have been included in the Company s Consolidated Financial Statements since the date of acquisition.

aa) Acquisitions in fiscal 2010

At the beginning of November 2009, Siemens acquired a controlling interest of 100 percent in Solel Solar Systems Ltd., Beit Shemesh/Israel (Solel), in a share deal transaction. Solel is a solar technology company focusing on the concentrated solar power (CSP) market. Solel develops, designs, manufactures and installs equipment for solar thermal power plants. Besides that, Solel is also developing the Lebrija 1 (50MW) solar thermal power plant in Spain (Lebrija 1). The rationale for the acquisition was to expand the product portfolio of Siemens in the field of CSP to become a leading CSP product and solution provider. Solel, which was consolidated as of November 2009, has been integrated into Sector Energy Renewable Division. The aggregate consideration amounts to approximately 279 (including 14 cash acquired). The Company further proceeded with the purchase price allocation in the fourth quarter of fiscal 2010, but has not yet finalized it. As such, the amounts recognized as a result of the fair value measurement of assets acquired and liabilities assumed have been determined provisionally. Based on the provisional fair value assessment, approximately 56 was allocated to intangible assets subject to amortization and approximately 194 was recorded as goodwill. Of the 56 intangible assets, 35 was allocated to patented and unpatented technology with weighted average useful life of 6.5 years, 14 to order backlog with weighted average useful life of 1 year and 7 to in-process research and development and trademarks with weighted average useful life of 4 years. The acquired Solel business contributed revenues of 92 and a net loss of 53 (including purchase price accounting effects and integration costs) to the group for the period from acquisition to September 30, 2010. If the acquisition had occurred on October 1, 2009, impact on consolidated revenues and consolidated loss for the 12 months ended September 30, 2010 would have been 109 and 52, respectively.

In fiscal 2010, Siemens additionally acquired various entities, which were not material, either individually or in aggregate.

ab) Acquisitions in fiscal 2009

In fiscal 2009, Siemens acquired various entities, which were not material, either individually or in aggregate.

ac) Acquisitions in fiscal 2008

At the beginning of November 2007, Siemens completed the acquisition of Dade Behring Holdings, Inc. (Dade Behring), USA, a leading manufacturer and distributor of diagnostic products and services to clinical laboratories. Dade Behring, which was consolidated as of November 2007, has been integrated into Sector Healthcare s

Diagnostics Division and complements the acquisitions of Diagnostic Products Corporation and Bayer Diagnostics. The aggregate consideration, including the assumption of debt, amounts to 4.9 billion (including 69 cash acquired). Based on the final purchase price allocation, 1,171 was allocated to intangible assets subject to amortization and 3,353 was recorded as goodwill at Healthcare. Of the 1,171 intangible assets, 957 relate to customer relationships with weighted average useful lifes of 15 years, 116 to trademarks with a weighted average useful life of 9 years and 74 to patented and unpatented technology with a weighted average useful life of 11 years.

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In fiscal 2008, Siemens completed the acquisitions of a number of entities which are not significant individually including BJC, Spain, a supplier of switches and socket-outlets at Sector Industry, Building Technologies Division; Innotec, a leading software provider for lifecycle management solutions at Sector Industry s Industry Automation Division; and the rolling mill technology specialist Morgan Construction Co., USA, at Sector Industry, Industry Solutions Division. The combined purchase price of these acquisitions amounts to 299.

b) Dispositions and Discontinued Operations

ba) Dispositions not qualifying for discontinued operations: closed transactions

Dispositions in fiscal 2010

At the end of December 2009, Siemens sold its 25 percent minority stake in Dräger Medical AG & Co. KG to the majority shareholder Drägerwerk AG & Co. KGaA. The investment was accounted for using the equity method at the Healthcare Sector. The sale proceeds include a cash component, a vendor loan component and an option component, which is dependent on the share-price performance of the Drägerwerk AG & Co. KGaA.

Regarding the disposition of the Airfield Solutions Business of the Industry Sector and the Roke Manor activities in the U.K. see Note 6; regarding the sale of UBS Real Estate Kapitalanlagegesellschaft mbH see Note 9.

Dispositions in fiscal 2009

The Siemens Wohnungsgesellschaft real estate transaction closed in the third quarter of fiscal 2009 see Note 6 for further information.

At the beginning of October 2008, Siemens completed the transfer of an 80.2 percent stake in Siemens Home and Office Communication Devices GmbH & Co. KG (SHC), reported in Centrally managed portfolio activities, to ARQUES Industries AG. The transaction resulted in a preliminary net loss of 108 (including an impairment loss of 78) of which the majority was recorded in fiscal 2008.

At the beginning of November 2008, Siemens signed an agreement to sell its 50 percent stake of Fujitsu Siemens Computers (Holding) BV (FSC), which was presented in the segment Equity Investments, to Fujitsu Limited. The transaction closed at the beginning of April 2009. The transaction resulted in a pre-tax gain, net of related costs of 327. The transaction gain is included in *Other operating income*.

Dispositions in fiscal 2008

At the end of July 2008, the Sector Industry s Division OSRAM completed the sale of its Global Tungsten & Powders unit. The transaction resulted in a pre-tax gain of 130, net of related costs, which is included in *Other operating income.*

At the end of May 2008, the Company sold its Wireless Modules Business, which was part of the Division Industry Automation in the Sector Industry The transaction resulted in a pre-tax gain of 131, net of related costs, which is included in *Other operating income.*

bb) Dispositions not qualifying for discontinued operations: held for disposal

The Consolidated Statement of Financial Position as of September 30, 2010 and 2009 include assets of 715 and 517 and liabilities of 146 and 157, respectively, classified as held for disposal. Included as of September 30, 2010 are mainly amounts relating to Electronics Assembly Systems (EA) in Centrally managed portfolio activities and Areva NP S.A.S., held by the Energy Sector. For EA, closing is expected in the second quarter of fiscal 2011. In January 2009, Siemens announced that it will terminate the Shareholders Agreement of the joint venture Areva NP S.A.S., and sell its 34 percent interest in Areva NP S.A.S. to the majority shareholder Areva S.A. under the terms of a put agreement. The carrying amount of the interest in Areva NP S.A.S. amounts to 190.

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The required approval of antitrust authorities has been obtained in October 2009. The Company expects to receive the expert opinion regarding the valuation of Areva NP S.A.S. within calendar year 2010, which is a necessary precondition to close this transaction. The major classes of assets and liabilities classified as asset held for sale are the carrying amount of our 34 percent interest in Areva NP S.A.S and the operating assets and liabilities held by EA.

bc) Discontinued operations

Siemens VDO Automotive (SV) discontinued operations

At the beginning of December 2007, Siemens sold its SV activities to Continental AG, Hanover, Germany for a sales price of 11.4 billion. The transaction resulted in a pre-tax gain, net of related costs of 5,522, which is included in discontinued operations. The historical results of SV are reported as discontinued operations in the Consolidated Statements of Income for all periods presented.

The net results of SV reported in the Consolidated Statements of Income consist of the following components:

	Year ended September 30,		
	2010	**2009**	**2008**
Revenue			1,842
Costs and expenses, including gain on disposal	(1)	4	3,553
Income (loss) from discontinued operations before income taxes	**(1)**	**4**	**5,395**
Income taxes		(1)	65
Income (loss) from discontinued operations, net of income taxes	**(1)**	**3**	**5,460**

As a result of taxable reorganizations in fiscal 2007, prior to the completion of the sale, no disposal gain related income taxes arose on the disposal of SV in December 2007.

Former segment Communications (Com) discontinued operation

The historical results of the former operating segment Communications (Com), with the exception of certain business activities which became part of Centrally managed portfolio activities are reported as discontinued operations in the Company s Consolidated Statements of Income for all periods presented. The Com activities previously included the Mobile Devices (MD) business, which was sold in fiscal 2005, the carrier-related operations which were contributed to Nokia Siemens Networks B.V., The Netherlands (NSN) in April 2007 and Siemens Enterprise Communications (SEN) of which 51 percent were sold as of September 30, 2008.

In April 2007, Siemens contributed its carrier-related operations and Nokia Corporation (Nokia), Finland contributed its Networks Business Group into NSN, in exchange for shares in NSN. Siemens and Nokia each own an economic share of approximately 50 percent of NSN.

Siemens has the ability to exercise significant influence over operating and financial policies of NSN and beginning April 2007, reports its equity interest in NSN in *Investments accounted for using the equity method*, see Note 19, and its share of income (loss) in NSN in *Income (loss) from investments accounted for using the equity method, net*, see Note 8.

At the end of September 2008, Siemens sold a 51 percent stake in SEN to The Gores Group, a U.S.-based financial and operational management firm. The Gores Group contributed two businesses into Enterprise Networks Holdings B.V., The Netherlands (EN), which complement the business of SEN. The transaction resulted in a loss of 1,015 in fiscal 2008, and a pre-tax gain of 36 and 117, respectively in fiscal 2010 and 2009, all included in discontinued operations. The historical results of SEN are reported as discontinued operations in the Consolidated Statements of Income for all periods presented including adjustments to the former Com business.

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Siemens has the ability to exercise significant influence over operating and financial policies of EN and beginning September 30, 2008 reports its equity interest in EN in *Investments accounted for using the equity method*, see Note 19, and its share of income (loss) in EN in *Income (loss) from investments accounted for using the equity method, net*, see Note 8.

The net results of discontinued operations presented in the Consolidated Statements of Income reflecting the former Com activities consist of the following components:

	Year ended September 30,		
	2010	**2009**	**2008**
Revenue	2	15	3,155
Costs and expenses	(92)	(47)	(3,592)
Loss on measurement to fair value less costs to sell			(88)
Gain (loss) related to the contribution of the carrier-related operations to NSN		9	(12)
Gain (loss) on disposal of the SEN business	36	117	(1,015)
Income (loss) from discontinued operations before income taxes	**(54)**	**94**	**(1,552)**
Income taxes corresponding to ordinary activities including the measurement to fair value less costs to sell	22	(34)	59
Income taxes corresponding to the gain or loss related to the contribution of the carrier-related operations to NSN		(4)	7
Income taxes corresponding to the gain or loss related to the contribution of the Siemens Enterprise Business to EN	(11)	(19)	53
Income (loss) from discontinued operations, net of income taxes	**(43)**	**37**	**(1,433)**

The net results of discontinued operations presented in the Consolidated Statements of Income for fiscal 2010 and 2009, relate mainly to legal and carve-out related matters in connection with the former Com activities; in fiscal 2009 they also relate to a loss on disposal of the SEN business which was compensated by a positive income effect of 154 from a settlement between Siemens and The Gores Group regarding pending requirements for purchase price adjustment and further mutual obligations in relation to the disposal of the SEN business. Discontinued operations in fiscal 2008 include charges pursuant to the terms of the MD disposal transaction, including substantial effects stemming from the insolvency of BenQ Mobile GmbH & Co. OHG, Germany.

The effects of the fiscal 2009 settlement between Siemens and The Gores Group are subject to German corporate tax only. In fiscal 2008, the loss on disposal of the SEN business was substantially non tax deductible.

5. Restructuring expense

Siemens has implemented and will continue to run various restructuring measures. In fiscal 2010, for example, the Industry Sector reported personnel-related expenses of 200 for a number of restructuring projects.

Under a strategic reorientation of Siemens IT Solutions and Services, as previously announced by Siemens, a restructuring project was initiated in fiscal 2010; it aims at providing a competitive structure of the Siemens IT business by reducing the workforce by 4,200 jobs worldwide. The related program measures mainly are severance payments in conjunction with transfer companies, early retirement arrangements and severance payments. Assumptions concern mainly the duration of the individual participation in transfer companies. In fiscal 2010, restructuring costs comprised termination benefits of 399, which were reported at Siemens IT Solutions and Services.

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In fiscal 2008, the SG&A program was initiated, which aimed at reducing marketing, selling, general and administrative expense (SG&A) by approximately 1.2 billion by the year 2010. In fiscal 2009, net expenses under the SG&A program of 235 were reported in Corporate items which include termination benefits resulting from the SG&A program and other ongoing personnel-related restructuring measures of 337. They also include a gain of 102 attributable to the reversal of accrued termination benefits recognized as of September 30, 2008 for the German part of SG&A and related programs which is due to a change in estimate on the respective program measures, i.e. more intensive use of the early retirement arrangements as compared to severance payments in conjunction with transfer companies. In fiscal 2008, restructuring costs under the SG&A program, as well as related to this program primarily, consisted of termination benefits of 1,081. SG&A program-related termination benefits are reported in Corporate items and pensions.

Restructuring costs are recorded in *Income (loss) from continuing operations before income taxes. Other current liabilities* include the majority of the termination benefits.

6. Other operating income

	Year ended September 30,		
	2010	**2009**	**2008**
Gains on disposals of businesses	134	409	447
Gains on sales of property, plant and equipment and intangibles	287	356	314
Other	435	300	286
	856	1,065	1,047

Gains on disposals of businesses, in fiscal 2010, includes 47 gain related to the sale of our Airfield Solutions Business of the Industry Sector and 35 from the sale of our Roke Manor activities in the U.K, held centrally. *Gains on disposals of businesses* in fiscal 2009 include 327 from the sale of Siemens investment in FSC presented in the segment Equity Investments. In fiscal 2008, the line item includes a 131 gain from the sale of the Wireless Modules Business and a 130 gain from the disposal of the Global Tungsten & Powders unit, both presented in the Industry Sector. See Note 4 *Acquisitions, dispositions and discontinued operations* for further information.

Real estate, which we had recognized as a lessee finance lease under a previous sale and lease back transaction, was sold by the lessor (entities controlled by the Siemens Pension-Trust e.V.) in fiscal 2010, which resulted in the dissolution of our liability from continuing lease involvement of 191 (non-cash transaction), the removal of real estate with a carrying amount of 122 and a gain of 69 reported in *Gains on sales of property, plant and equipment and intangibles.* In connection with the new real estate operating lease, entered into in the second quarter of fiscal 2010, the Company received lease subsidies amounting to 43 which are deferred and recognized in income over the term of the new lease. In fiscal 2010, *Gains on sales of property, plant and equipment and intangibles* also includes a gain of 74 from the sale of various properties in Zug, Switzerland. *Gains on sales of property, plant and equipment and intangibles* in fiscal 2009, includes a pre-tax gain of 224, net of related costs, from the sale of Siemens residential real estate holdings. The transaction is presented in Siemens Real Estate.

Other, in fiscal 2010, includes gains from settlement agreements with former Managing and Supervisory Board members in conjunction with compliance matters, mainly from Siemens directors and officers insurance of 84; as well as 40 related to the recovery of funds frozen by authorities. For further information on legal and regulatory matters included in *Other* see Note 30. In the third quarter of fiscal 2010, the Company ceased to consolidate a subsidiary because of a loss of control and began accounting for the investment using the equity method of accounting. This loss of control resulted in a gain of 40 that is primarily attributable to the dilution of derivatives financial liabilities held by the investee. *Other* in fiscal 2009, includes income related to legal and regulatory matters.

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7. Other operating expense

	Year ended September 30,		
	2010	2009	2008
Impairment of goodwill, see Note 16	(1,145)	(32)	(78)
Losses on disposals of businesses	(117)	(68)	(112)
Losses on sales of property, plant and equipment and intangibles	(48)	(83)	(49)
Other	(301)	(449)	(1,989)
	(1,611)	(632)	(2,228)

Impairment of goodwill in fiscal 2010, relates to Healthcare s Diagnostics Division, see Note 16 for further information.

Losses on disposals of businesses in fiscal 2010, include 106 provided for in connection with the announced sale of the Electronics Assembly Systems business held in Centrally managed portfolio activities.

Other in fiscal 2009, includes fees for outside advisors engaged in connection with investigations into alleged violations of anti-corruption laws and related matters as well as remediation activities of 95 and 53 provided for in connection with a settlement agreement with the World Bank Group see Note 30 *Legal Proceedings* for further information.

Other in fiscal 2008, comprises 1 billion in estimated fines, see Note 25, in connection with settlement negotiations of legal matters with authorities in Germany and the U.S. and 430 in fees for outside advisors engaged in connection with investigations into alleged violations of anti-corruption laws and related matters as well as remediation activities, see Note 30. *Other* in fiscal 2008 also includes 390 in connection with a not-for-profit foundation set up by Siemens in fiscal 2008. The foundation operates in three areas: it supports enlarging basic services and improving social structures; initiates educational projects; and contributes to strengthening cultural identity. Siemens contributed 390 in cash to the foundation in fiscal 2008. Of the 390, 300 is to remain in the foundation and 90 shall be used to serve the foundations purposes.

8. Income (loss) from investments accounted for using the equity method, net

	Year ended September 30,		
	2010	2009	2008
Share of profit (loss), net	(9)	(392)	259
Gains (losses) on sales, net	9	5	1
Impairment	(40)	(1,644)	
Reversals of impairment		85	

(40)	(1,946)	260

Share of profit (loss), net includes our share in NSN s fiscal 2010, 2009 and 2008 earnings of (533), (543) and (119), respectively, our share in EN s fiscal 2010, 2009 and 2008 earnings of 5, (171) and , respectively, our share in BSH Bosch und Siemens Hausgeräte GmbH (BSH) as well as our share in Krauss-Maffei Wegmann GmbH & Co. KG (KMW) the two latter totaling 277, 195 and 242, in fiscal 2010, 2009 and 2008, respectively, see also Note 4 and Note 19 for further information.

Investments in associates and in jointly controlled entities are tested for impairment if there is an indication that the investment may be impaired. In the three months ended September 30, 2009, NSN, presented in the segment Equity Investments, was tested for impairment. The main triggering events were NSN s loss of market share as well

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as a decrease in the product business operations resulting in significantly adjusted financial forecasts of future cash flows of NSN. The NSN impairment test is based on fair value less costs to sell applying a discounted cash flow method. As a result, an impairment loss of 1,634 was recognized in *Income (loss) from investments accounted for using the equity method*. The weighted average cost of capital (WACC) and the terminal value growth rate were the key assumptions used in calculating the fair value of the NSN equity impairment. A post-tax WACC of 9 percent and a terminal value growth rate of 1 percent were used. We believe, our assumptions were generally consistent with the current market assessment of the risks specific to NSN and take into consideration macroeconomic and industry specific trends.

Reversals of impairment in fiscal 2009 of 51 relates to an impairment in a previous year of an investment held by SFS, which was reversed as a result of a recovery of our expected future results from that investment.

For further information on the Company s principal investments accounted for under the equity method see Note 19.

9. Interest income, interest expense and other financial income (expense), net

	Year ended September 30,		
	2010	**2009**	**2008**
Pension related interest income	1,396	1,303	1,510
Interest income, other than pension	765	833	894
Interest income	**2,161**	**2,136**	**2,404**
Pension related interest expense	(1,461)	(1,530)	(1,374)
Interest expense, other than pension	(429)	(683)	(834)
Interest expense	**(1,890)**	**(2,213)**	**(2,208)**
Income (expense) from available-for-sale financial assets, net	44	(12)	89
Miscellaneous financial income (expense), net	(380)	(421)	(163)
Other financial income (expense), net	**(336)**	**(433)**	**(74)**

The components of *Income (expense) from pension plans and similar commitments, net* were as follows:

	Year ended September 30,		
	2010	**2009**	**2008**
Expected return on plan assets	1,396	1,303	1,510
Interest cost	(1,461)	(1,530)	(1,347)

Income (expense) from pension plans and similar commitments, net	**(65)**	**(227)**	**136**

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Total amounts of *Interest income and (expense), other than pension,* were as follows:

	Year ended September 30, 2010	2009	2008
Interest income, other than pension	765	833	894
Interest (expense), other than pension	(429)	(683)	(834)
Interest income (expense), net, other than pension	**336**	**150**	**60**
Thereof: Interest income (expense) of Operations, net	19	39	60
Thereof: Other interest income (expense), net	317	111	

Interest income (expense) of Operations, net includes interest income and expense primarily related to receivables from customers and payables to suppliers, interest on advances from customers and advanced financing of customer contracts. *Other interest income (expense), net* includes all other interest amounts primarily consisting of interest relating to corporate debt, and related hedging activities, as well as interest income on corporate assets.

Interest income (expense) other than pension includes the following with respect to financial assets (financial liabilities) not at fair value through profit or loss:

	Year ended September 30, 2010	2009	2008
Total interest income on financial assets	749	804	883
Total interest expenses on financial liabilities(1)	(1,002)	(994)	(859)

(1) Relating to hedged positions, herein only the interest expense on hedged items not at fair value through profit and loss is included, whereas *Interest expense, other than pension* also contains the offsetting effect on interest of the hedging instrument. The difference is due to the disparities of interest rate swap contracts further explained in footnote 32, *Fair value hedges of fixed-rate debt obligations*.

The components of *Income (expense) from available-for-sale financial assets, net* were as follows:

	Year ended September 30, 2010	2009	2008
Dividends received	24	29	70
Gains on sales, net	64	16	45
Impairment	(48)	(59)	(36)

Other	4	2	10
Income (expense) from available-for-sale financial assets, net	**44**	**(12)**	**89**

Gains on sales, net, in fiscal 2010, include 47 gain from the sale of UBS Real Estate Kapitalanlagegesellschaft mbH.

Miscellaneous financial income (expense), net, in fiscal 2010, 2009 and 2008, comprises gains (losses) of (313), (200) and (81), respectively, as a result of the accretion of provisions and the increase (decrease) in the discount rate, as well as expenses as a result of allowances and write offs of finance receivables, net of reversals of (63), (162) and (55), respectively. It also includes gains and losses related to derivative financial instruments.

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10. Income taxes

Income (loss) from continuing operations before income taxes is attributable to the following geographic regions:

	Year ended September 30,		
	2010	2009	2008
Germany	1,891	1,525	(449)
Foreign	3,920	2,366	3,323
	5,811	3,891	2,874

Income tax expense (benefit) consists of the following:

	Year ended September 30,		
	2010	2009	2008
Current tax:			
German corporation and trade taxes	31	269	124
Foreign income taxes	1,564	1,209	1,001
	1,595	1,478	1,125
Deferred tax:			
Germany	445	1	(212)
Foreign	(341)	(45)	102
	104	(44)	(110)
Income tax expense	1,699	1,434	1,015

The current income tax expense in fiscal 2010, 2009 and 2008 includes adjustments recognized for current tax of prior years in the amount of (234), (11) and (58), respectively. The reduction of the German current tax expense in fiscal 2010 is affected by the release of tax liabilities after the positive decision on appeal with respect to the deductibility of certain expenses associated with certain foreign dividends.

The deferred tax expense (benefit) in fiscal 2010, 2009 and 2008 includes tax effects of the origination and reversal of temporary differences of (199), (177) and (52).

In Germany, the calculation of current tax is based on a corporate tax rate of 15 percent and a solidarity surcharge thereon of 5.5 percent, for all distributed and retained earnings. In addition to corporate taxation, trade tax is levied on profits earned in Germany. As an effect of the German Corporation Tax Reform 2008, trade tax is a non deductible expense since 2008, resulting in an average trade tax rate of 15 percent and a combined total tax rate of 31 percent. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

For foreign subsidiaries, current taxes are calculated based on the local tax laws and applicable tax rates in the individual foreign countries. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

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Income tax expense differs from the amounts computed by applying a combined statutory German income tax rate of 31 percent as follows:

	Year ended September 30, 2010	2009	2008
Expected income tax expense	1,801	1,206	891
Increase (decrease) in income taxes resulting from:			
Non-deductible losses and expenses	691	715	533
Tax-free income	(305)	(421)	(259)
Taxes for prior years	(256)	(76)	(31)
Change in realizability of deferred tax assets and tax credits	(37)	25	34
Change in tax rates	11	(17)	6
Foreign tax rate differential	(213)	(116)	(86)
Tax effect of investments accounted for using the equity method	2	121	(79)
Other, net	5	(3)	6
Actual income tax expense	1,699	1,434	1,015

The income tax resulting from non-tax deductible losses and expenses in fiscal 2010 is mainly attributable to the goodwill impairment of the Diagnostics Division of Healthcare, which is only partly tax-deductible; in fiscal 2009, to the impairment of NSN; and in fiscal 2008, to estimated fines in connection with the then ongoing settlement negotiations of legal matters with authorities in the U.S. (settled in fiscal 2009).

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Deferred income tax assets and liabilities on a gross basis are summarized as follows:

	September 30, 2010	September 30, 2009
Assets:		
Financial assets	12	66
Other intangible assets	297	117
Property, plant and equipment	305	337
Inventories	528	428
Receivables	994	518
Pension plans and similar commitments	2,674	1,892
Provisions	1,835	1,515
Liabilities	2,645	1,848
Tax loss and credit carryforward	1,971	2,455
Other	312	209
Deferred tax assets	11,573	9,385
Liabilities:		
Financial assets	189	138
Other intangible assets	1,357	1,286
Property, plant and equipment	787	700
Inventories	2,112	1,793
Receivables	2,413	1,532
Provisions	800	962
Liabilities	265	168
Other	287	291
Deferred tax liabilities	8,210	6,870
Total deferred tax assets, net	3,363	2,515

In assessing the realizability of deferred tax assets, management considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carryforwards become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is probable the Company will realize the benefits of these deductible differences. As of September 30, 2010 the Company has certain tax losses subject to significant limitations. For those losses deferred tax assets are not recognized, as it is not probable that gains will be generated to offset those losses.

As of September 30, 2010, the Company had 6,496 (in fiscal 2009: 8,015) of gross tax loss carryforwards. The Company assumes that future operations will generate sufficient taxable income to realize the deferred tax assets.

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Deferred tax assets have not been recognized in respect of the following items (gross amounts):

	September 30, 2010	September 30, 2009
Deductible temporary differences	204	341
Tax loss carryforward	629	612
	833	953

As of September 30, 2010 and 2009, respectively 297 and 332 of the unrecognized tax loss carryforwards expire over the periods to 2027.

The Company has ongoing regular tax audits concerning open income tax years in a number of jurisdictions. Adequate provisions for all open tax years have been foreseen.

The Company recorded deferred tax liabilities for income taxes and foreign withholding taxes on future dividend distributions from subsidiaries which are intended to be repatriated. The company has not recognized deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of 15,609 (in fiscal 2009: 15,403) because the earnings are intended to be permanently reinvested in the subsidiaries.

Including the items charged or credited directly to equity and the expense (benefit) from continuing and discontinued operations, the income tax expense (benefit) consists of the following:

	Year ended September 30, 2010	2009	2008
Continuing operations	1,699	1,434	1,015
Discontinued operations	(11)	58	(184)
Income and expense recognized directly in equity	(893)	(231)	(120)
	795	1,261	711

11. Available-for-sale financial assets

The following tables summarize the current portion of the Company s investment in available-for-sale financial assets:

September 30, 2010
Unrealized

	Cost	Fair value	Gain	Loss
Equity instruments	6	22	16	
Debt instruments	210	213	3	
Fund shares	11	11		
	227	246	19	

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	September 30, 2009			
			Unrealized	
	Cost	Fair value	Gain	Loss
Equity instruments	7	19	12	
Debt instruments	109	112	3	
Fund shares	38	39	1	
	154	170	16	

Proceeds from sales of available-for-sale financial assets traded in an active market for the years ended September 30, 2010, 2009 and 2008 were 44, 35 and 49, respectively. Gross realized gains on sales of such available-for-sale financial assets for continuing and discontinued operations for the years ended September 30, 2010, 2009 and 2008 were 5, 7 and 13, respectively. Gross realized losses on sales of such available-for-sale financial assets for continuing and discontinued operations for the years ended September 30, 2010, 2009 and 2008 were 3, 10 and 1, respectively.

Available-for-sale financial assets classified as non-current are included in *Other financial assets,* see Note 20.

12. Trade and other receivables

	September 30,	
	2010	2009
Trade receivables from the sale of goods and services	13,186	12,711
Receivables from finance leases	1,785	1,738
	14,971	14,449

The valuation allowance on the Company s current and long-term receivables, see Notes 12, 13 and 20 (except for receivables from finance leases), which belong to the class of Financial assets and liabilities measured at (amortized) cost, changed as follows:

	Year ended September 30,		
	2010	2009	2008
Valuation allowance as of beginning of fiscal year	1,116	913	805
Increase in valuation allowances recorded in the income statement in the current period	63	449	247
Write-offs charged against the allowance	(240)	(222)	(141)

Recoveries of amounts previously written-off	13	7	18
Foreign exchange translation differences	40	(24)	(5)
Reclassification to *Assets held for disposal*	1	(7)	(11)
Valuation allowance as of fiscal year-end	993	1,116	913

Receivables from finance leases are presented in the Statements of Financial Position as follows:

	September 30,	
	2010	**2009**
Receivables from finance leases, current	1,785	1,738
Receivables from finance leases, long-term portion	3,094	3,147
	4,879	4,885

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The valuation allowance on the Company s current and long-term receivables, see Notes 12 and 20, relating to finance leases, changed as follows:

	Year ended September 30, 2010	2009	2008
Valuation allowance as of beginning of fiscal year	165	100	90
Increase in valuation allowances recorded in the income statement in the current period	45	148	56
Write-offs charged against the allowance	(64)	(97)	(58)
Recoveries of amounts previously written-off	15	18	13
Foreign exchange translation differences	7	(4)	(1)
Valuation allowance as of fiscal year-end	168	165	100

Minimum future lease payments to be received are as follows:

	September 30, 2010	2009
2010		2,084
2011	2,145	1,450
2012	1,428	978
2013	978	597
2014	541	280
2015	238	
After 2015 in fiscal 2010 (after 2014 in fiscal 2009)	168	173
Minimum future lease payments to be received	5,498	5,562

The following table shows a reconciliation of minimum future lease payments to the gross and net investment in leases and to the present value of the minimum future lease payments receivable:

	September 30, 2010	2009
Minimum future lease payments	5,498	5,562
Plus: Unguaranteed residual values	182	170

Gross investment in leases	5,680	5,732
Less: Unearned finance income	(633)	(682)
Net investment in leases	5,047	5,050
Less: Allowance for doubtful accounts	(168)	(165)
Less: Present value of unguaranteed residual value	(153)	(144)
Present value of minimum future lease payments receivable	4,726	4,741

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The gross investment in leases and the present value of minimum future lease payments receivable are due as follows:

	September 30, 2010	September 30, 2009
Gross investment in leases	5,680	5,732
Within 1 year	2,187	2,117
1 to 5 years	3,308	3,420
Thereafter	185	195
Present value of minimum future lease payments receivable	4,726	4,741
Within 1 year	1,785	1,707
1 to 5 years	2,790	2,881
Thereafter	151	153

Investments in finance leases primarily relate to equipment for information technology and office machines, industrial machinery, medical equipment and transportation systems. Actual cash flows will vary from contractual maturities due to future sales of finance receivables, prepayments and write-offs.

13. Other current financial assets

	September 30, 2010	September 30, 2009
Derivative financial instruments	949	782
Loans receivable	740	786
Other	921	839
	2,610	2,407

14. Inventories

	September 30, 2010	September 30, 2009
Raw materials and supplies	2,420	2,279
Work in process	3,724	3,619
Costs and earnings in excess of billings on uncompleted contracts	7,538	7,137
Finished goods and products held for resale	2,866	2,945
Advances to suppliers	657	565

	17,205	16,545
Advance payments received	(2,255)	(2,416)
	14,950	14,129

Cost of goods sold and services rendered include inventories recognized as an expense amounting to 52,083, 54,098 and 54,496, respectively, in fiscal 2010, 2009 and 2008. Raw materials and supplies, work in process as well as finished goods and products held for resale are valued at the lower of acquisition/production cost and net realizable value. The respective write-downs, as compared to prior year, increased by 128 (fiscal 2009 increase by 162; fiscal 2008 increase by 71).

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Costs and earnings in excess of billings on uncompleted contracts relates to construction contracts, with net asset balances where contract costs plus recognized profits less recognized losses exceed progress billings. Construction contracts, here and as follows, include service contracts accounted for under the percentage of completion method. Liabilities from contracts for which progress billings exceed costs and recognized profits less recognized losses are recognized in *Other current liabilities*; see Note 22.

The aggregate amount of costs incurred and recognized profits less recognized losses for construction contracts in progress, as of September 30, 2010, 2009 and 2008 amounted to 71,497, 67,420 and 55,174, respectively. Advance payments received on construction contracts in progress were 9,622, 8,442 and 8,886 as of September 30, 2010, 2009 and 2008. Revenue from construction contracts amounted to 27,152, 25,907 and 24,453, respectively, for fiscal 2010, 2009 and 2008. Retentions in connection with construction contracts were 681, 550 and 544 in fiscal 2010, 2009, and 2008. Information concerning construction contracts does not include disposal groups.

15. Other current assets

	September 30,	
	2010	**2009**
Miscellaneous tax receivables	686	618
Prepaid expenses	296	317
Other	276	256
	1,258	1,191

16. Goodwill

Goodwill has changed as follows:

	Year ended September 30,	
	2010	**2009**
Cost		
Balance at beginning of year	16,317	16,558
Translation differences and other	898	(366)
Acquisitions and purchase accounting adjustments	246	232
Dispositions and reclassifications to assets classified as held for disposal	(25)	(107)
Balance at year-end	17,436	16,317
Accumulated impairment losses and other changes		

Balance at beginning of year	496	554
Translation differences and other	32	(12)
Impairment losses recognized during the period	1,145	32
Dispositions and reclassifications to assets classified as held for disposal		(78)
Balance at year-end	1,673	496
Net book value		
Balance at beginning of year	15,821	16,004
Balance at year-end	15,763	15,821

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	Net book value as of 10/1/2009	Translation differences and other	Acquisitions and purchase accounting adjustments	Dispositions and reclassifications to assets classified as held for disposal	Impairments	Net book value as of 9/30/2010
Sectors						
Industry	4,925	267	28	(24)		5,196
Energy	2,208	98	201			2,507
Healthcare	8,476	492	3		(1,145)	7,826
Cross-Sector Businesses						
Siemens IT Solutions and Services	115	4	14	(1)		132
Siemens Financial Services (SFS)	97	5				102
Centrally managed portfolio activities						
Siemens	**15,821**	**866**	**246**	**(25)**	**(1,145)**	**15,763**

	Net book value as of 10/1/2008	Translation differences and other	Acquisitions and purchase accounting adjustments[(1)]	Dispositions and reclassifications to assets classified as held for disposal	Impairments	Net book value as of 9/30/2009
Sectors						
Industry	4,894[(2)]	(111)	168	(13)	(13)	4,925
Energy	2,240	(63)	47	(16)		2,208
Healthcare	8,617	(156)	15			8,476
Cross-Sector Businesses						
	123	(10)	2			115

Siemens IT Solutions and Services						
Siemens Financial Services (SFS)	111	(14)				97
Centrally managed portfolio activities	19(2)				(19)	
Siemens	**16,004**	**(354)**	**232**	**(29)**	**(32)**	**15,821**

(1) Includes adjustments from the subsequent recognition of deferred tax assets.

(2) Electronics Assembly Systems was reclassified from Industry to Centrally managed portfolio activities in fiscal 2009. Prior-year amounts were adjusted for comparison purposes.

In fiscal 2010, positive translation differences are primarily attributable to the strengthening of the U.S.$; acquisitions and purchase accounting adjustments at Energy mainly relate to the acquisition of Solel Solar Systems, Ltd., see Note 4; the impairment of 1,145 results from the Diagnostics Division of Healthcare, see below.

Siemens performs the mandatory annual impairment test in the three months ended September 30, in accordance with the accounting policy stated in Note 2 and 3. Except for the Diagnostics Division within the Healthcare Sector described below, the recoverable amounts for the annual impairment test 2010 for divisions and Cross-Sector Businesses were estimated to be higher than the carrying amounts. Key assumptions on which management has based its determinations of the fair value less costs to sell for the Divisions and Cross-Sector Businesses carrying amount include growth rates up to 3 percent in fiscal 2010 and 2009, respectively and after-tax discount rates of 7 percent to 8 percent in fiscal 2010 and 7.5 percent to 8.5 percent in fiscal 2009. Where possible, reference to market prices is made.

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For the purpose of estimating the fair value less costs to sell of the Divisions and Cross-Sector Businesses, cash flows were projected for the next five years based on past experience, actual operating results and management s best estimate about future developments as well as market assumptions.

The fair value less costs to sell is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Both assumptions are determined individually for each Division and each Cross-Sector Business. Discount rates reflect the current market assessment of the risks specific to each Division and each Cross-Sector Business and are based on the weighted average cost of capital for the Divisions and Cross-Sector Businesses (for SFS the discount rate represents cost of equity). Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends.

The following table presents the key assumptions used to determine fair value less costs to sell for impairment test purposes, for Divisions to which a significant amount of goodwill is allocated:

	Year ended September 30, 2010		
	Goodwill	Terminal value growth rate	After-tax Discount Rate
Diagnostics of the Healthcare Sector	4,727	2.25%	7.0%
Imaging and IT of the Healthcare Sector	2,911	2.7%	7.0%
Industry Automation of the Industry Sector	2,266	2.0%	8.0%

	Year ended September 30, 2009		
	Goodwill	Terminal value growth rate	After-tax Discount Rate
Diagnostics of the Healthcare Sector	5,507	3.0%	7.5%
Imaging and IT of the Healthcare Sector	2,782	3.0%	8.0%
Industry Automation of the Industry Sector	2,250	2.0%	8.0%

The annual test for impairment of goodwill of the Diagnostics Division within the Healthcare Sector was performed as of September 30, 2010. As a result, in the Diagnostics Division of the Healthcare Sector an impairment of 1,145 was recognized to reduce the carrying amount of goodwill. The Diagnostics Division is based on the acquisitions of Diagnostic Products Corporation (DPC), the Diagnostics Division of Bayer AG and the acquisition of Dade Behring, Inc. The Division operates in the global healthcare market for diagnostic testing systems and consumables which faces increasing cost restraints but is estimated to still represent a growing market mainly due to the megatrend demographic change. While the cost targets associated with the integration of the acquired three companies were met, the growth targets have not been achieved.

As a result of a strategic review, which was completed in the three months ended September 30, 2010, the Division s medium-term growth prospects and the long-term market development in laboratory diagnostics have been reassessed and the Division s business planning has been adjusted accordingly to reflect expected lower growth prospects. Cash flows beyond the five year planning period were extrapolated using a constant growth rate of 2.25 percent. The main reasons for these lower growth prospects and therefore adjusted business targets are delays in technology and product related development activities along with increasing competition. The adjusted business plan resulting from the strategic review was the basis for the annual goodwill impairment test in the three months ended September 30, 2010.

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17. Other intangible assets

	Gross carrying amount as of 10/1/2009	Translation differences	Additions through business combinations	Additions	Retirements(1)	Gross carrying amount as of 9/30/2010	Accumulated amortization and impairment	Net book value as of 9/30/2010	Amortization and impairment in fiscal 2010(2)
Software and other internally generated intangible assets	2,664	106		395	(97)	3,068	(1,876)	1,192	(251)
Patents, licenses and similar rights	6,519	338	87	117	(53)	7,008	(3,231)	3,777	(607)
Other intangible assets	9,183	444	87	512	(150)	10,076	(5,107)	4,969	(858)

(1) Includes Other intangible assets reclassified to Assets classified as held for disposal, see Note 4.

(2) Includes impairments of (29) in fiscal 2010, thereof (19) at the Healthcare Sector.

	Gross carrying amount as of 10/1/2008	Translation differences	Additions through business combinations	Additions	Retirements(1)	Gross carrying amount as of 9/30/2009	Accumulated amortization and impairment	Net book value as of 9/30/2009	Amortization in fiscal 2009(2)

Software and other internally generated intangible assets	2,492	(47)	(1)	382	(162)	2,664	(1,609)	1,055	(264)
Patents, licenses and similar rights	6,524	(105)	105	59	(64)	6,519	(2,548)	3,971	(570)
Other intangible assets	9,016	(152)	104	441	(226)	9,183	(4,157)	5,026	(834)

(1) Includes Other intangible assets reclassified to Assets classified as held for disposal, see Note 4.

(2) Includes impairments of (22) in fiscal 2009.

Amortization expense on intangible assets is included in *Cost of goods sold and services rendered*, *Research and development expenses* or *Marketing, selling and general administrative expenses*, depending on the use of the asset.

As of September 30, 2010 and 2009, contractual commitments for purchases of other intangible assets amount to 44 and 35.

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18. Property, plant and equipment

	Gross carrying amount as of 10/1/09	Translation differences	Additions through business combinations	Additions	Reclassifications	Retirements[1]	Gross carrying amount as of 9/30/10	Accumulated depreciation and impairment	Net book value as of 9/30/10	Depreciation and impairment in fiscal 2010[2]
Land and buildings	8,663	289	31	241	286	(914)	8,596	(4,078)	4,518	(386)
Technical machinery and equipment	8,639	327	54	369	278	(412)	9,255	(6,299)	2,956	(568)
Furniture and office equipment	6,492	209	3	639	71	(617)	6,797	(5,294)	1,503	(765)
Equipment leased to others	2,677	154		623	9	(288)	3,175	(1,516)	1,659	(397)
Advances to suppliers and construction in progress	963	37	10	764	(644)	(16)	1,114[3]	(2)	1,112	
Property, plant and equipment	27,434	1,016	98	2,636		(2,247)	28,937	(17,189)	11,748	(2,116)

(1) Includes Property, plant and equipment reclassified to Assets classified as held for disposal, see Note 4.

(2) Includes impairments of (130) in fiscal 2010, of which (39) relate to impairment of real estate which were transferred from Healthcare s Diagnostics Division to SRE, as well as (71) related to SRE.

(3) Includes 979 expenditures for property, plant and equipment under construction.

Gross carrying amount		Additions through business				Gross carrying amount	Accumulated	Net book value	Depreciation and impairment

	as of 10/1/08	Translation differences	combi-nations	Additions	Reclassi-fications	Retirements[1]	as of 9/30/09	depreciation and impairment	as of 9/30/09	in fiscal 2009[2]
Land and buildings	8,228	(79)	128	717	287	(618)	8,663	(4,112)	4,551	(302)
Technical machinery and equipment	8,252	(120)	11	496	389	(389)	8,639	(5,875)	2,764	(562)
Furniture and office equipment	6,654	(93)	14	660	110	(853)	6,492	(4,969)	1,523	(769)
Equipment leased to others	2,630	(84)		495	35	(399)	2,677	(1,153)	1,524	(375)
Advances to suppliers and construction in progress	1,180	(11)	3	692	(821)	(80)	963[3]	(2)	961	
Property, plant and equipment	26,944	(387)	156	3,060		(2,339)	27,434	(16,111)	11,323	(2,008)

(1) Includes Property, plant and equipment reclassified to Assets classified as held for disposal, see Note 4.

(2) Includes impairments of (74) in fiscal 2009.

(3) Includes 819 expenditures for property, plant and equipment under construction.

As of September 30, 2010 and 2009, contractual commitments for purchases of property, plant and equipment amount to 459 and 336, respectively.

In fiscal 2010 and 2009, government grants awarded for the purchase or the production of property, plant and equipment amounted to 23 and 35, respectively. The award of further government grants of 98 and 79 in fiscal 2010 and 2009, respectively, related to costs incurred and future costs.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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As of September 30, 2010 and 2009, minimum future lease payments receivable from lessees under operating leases are as follows:

	September 30, 2010	September 30, 2009
2010		516
2011	488	371
2012	372	274
2013	283	187
2014	202	125
2015	161	
After 2015 in fiscal 2010 (after 2014 in fiscal 2009)	165	172
Total	1,671	1,645

Payments from lessees under operating leases primarily relate to buildings, data processing and phone equipment as well as to medical equipment. Total contingent rent recognized in income in fiscal 2010, 2009 and 2008 amounts to 233, 182 and 175.

Investment property

Investment property consists of property held either to earn rentals or for capital appreciation or both and not used in production or for administrative purposes.

The carrying amount of investment property amounts to 130 and 166 compared to a fair value of 248 and 329 as of September 30, 2010 and 2009, respectively. The fair value is primarily based on a discounted cash flow approach except for certain cases which are based on appraisal values.

19. Investments accounted for using the equity method

As of September 30, 2010 and 2009, Siemens principal investments accounted for under the equity method, which are all unlisted, are (in alphabetical order):

	Percentage of Ownership September 30, 2010	Percentage of Ownership September 30, 2009
BSH Bosch und Siemens Hausgeräte GmbH (BSH)	50%	50%
BWI Informationstechnik GmbH	50%(1)	50%(1)
Enterprise Networks Holdings B.V.	49%	49%

Krauss-Maffei Wegmann GmbH & Co. KG	49%	49%
Maschinenfabrik Reinhausen GmbH	26%	26%
Nokia Siemens Networks Holding B.V.	50%(2)	50%(2)
P.T. Jawa Power	50%(3)	50%(3)
Shanghai Electric Power Generation Equipment Co. Ltd.	40%	34%
Voith Hydro Holding GmbH & Co. KG	35%	35%

(1) The exact percentage equals 50.05 percent; it is not controlled by Siemens due to significant participating rights of the two other shareholders.

(2) The exact percentage of voting rights equals 50 percent less 25 voting rights.

(3) The investment is no jointly controlled entity.

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In fiscal 2010 Capital Meters Holdings Ltd., an investment accounted under the equity method, held by Energy was sold. The gain is reported in Income (loss) from investments accounted for using the equity method, net. Regarding the sale of the 25 percent minority stake in Dräger Medical AG & Co. KG, see Note 4.

The investments in Areva NP S.A.S. and Fujitsu Siemens Computers (Holding) B.V. (FSC) have been classified as assets held for disposal in January 2009 and September 2008, respectively, and accounting under the equity method was ceased, see Note 4 for additional information on Areva NP S.A.S. FSC was sold in April 2009, see Note 4 for further information on Dispositions.

Our interest in BSH, which is the principal jointly controlled entity of Siemens, is recognized using the equity method, as described in Note 2, applying BSH s twelve month periods ended June 30. The following information reflect BSH s most recent published financial statements, not adjusted for the percentage of ownership held by Siemens.

	Year ended December 31,		
	2009	**2008**	**2007**
Revenue	8,405	8,758	8,818
Net income (loss)	328	311	411

	December 31,	
	2009	**2008**
Current assets	3,797	3,678
Non-current assets	2,646	2,495
Current liabilities	2,170	2,033
Non-current liabilities	1,738	1,744

Summarized financial information for our principal investments in associates, not adjusted for the percentage of ownership held by Siemens, is presented below. Income statement information is presented for the twelve month period applied under the equity method of accounting.

	Year ended September 30,		
	2010	**2009**	**2008**
Revenue	19,257	19,557	19,167
Net income (loss)	(861)	(2,686)	30

Information related to the Statements of Financial Position is presented as of the date used in applying the equity method of accounting.

	September 30, 2010	2009
Total assets	18,005	19,512
Total liabilities	12,691	13,848

For information on contingent liabilities for joint ventures and associates see Note 39.

Regarding the fiscal 2009 impairment of the NSN investment see Note 8.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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20. Other financial assets

	September 30, 2010	2009
Receivables from finance leases, see Note 12	3,094	3,147
Loans receivable	3,032	2,949
Derivative financial instruments	2,693	2,089
Trade receivables from sale of goods and services	531	453
Available-for-sale financial assets	486	391
Other	1,460	1,496
	11,296	10,525

Available-for-sale financial assets include interests in other companies that are recorded at cost or at fair value if reliably measurable. Regarding *Derivative financial instruments* see Note 31 and Note 32. *Loans receivable* primarily relate to long-term loan transactions of SFS. *Loans receivable* include a shareholder loan to NSN granted in fiscal 2009, see Note 39.

21. Other current financial liabilities

	September 30, 2010	2009
Derivative financial instruments, see Notes 31 and 32	442	454
Accrued interest expense	327	325
Other	632	821
	1,401	1,600

22. Other current liabilities

	September 30, 2010	2009
Billings in excess of costs and estimated earnings on uncompleted contracts and related advances	12,180	11,031
Other employee related costs	2,265	2,567
Payroll obligations and social security taxes	2,121	1,908

Bonus obligations	1,582	1,046
Accruals for outstanding invoices	987	789
Miscellaneous tax liabilities	657	689
Deferred reservation fees received	77	536
Deferred income	940	594
Other	985	1,151
	21,794	20,311

Other employee related costs primarily includes vacation payments, accrued overtime and service anniversary awards, severance payments, as well as liabilities related to the Siemens IT Solutions and Services restructuring and the SG&A program, see Note 5.

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23. Debt

	September 30, 2010	2009
Short-term		
Notes and bonds	2,062	
Loans from banks	283	261
Other financial indebtedness	22	392
Obligations under finance leases	49	45
Short-term debt and current maturities of long-term debt	2,416	698
Long-term		
Notes and bonds (maturing until 2066)	15,238	16,502
Loans from banks (maturing until 2023)	1,981	1,910
Other financial indebtedness (maturing until 2018)	156	379
Obligations under finance leases	122	149
Long-term debt	17,497	18,940
	19,913	19,638

In fiscal 2010 and 2009, weighted-average interest rates for loans from banks, other financial indebtedness and obligations under finance leases were 2.6 percent (2009: 3.4 percent), 4.7 percent (2009: 2.9 percent) and 3.9 percent (2009: 4.0 percent), respectively.

a) Commercial paper program

We have a U.S.$9.0 billion (6.6 billion) global multi-currency commercial paper program in place including U.S.$ extendible notes capabilities. As of September 30, 2010 and 2009, outstanding global commercial paper totaled and 337, respectively. Interest rates ranged from 0.21 percent to 0.23 percent as of September 30, 2009 (see also *Other financial indebtedness* below). Our issues of commercial paper have a maturity of generally less than 90 days.

b) Notes and bonds

Debt Issuance Program, previously Euro Medium-term note program

The Company has agreements with financial institutions under which it may issue medium-term notes up to 15.0 billion as of September 30, 2010 and 2009, respectively. As of September 30, 2010 and 2009, 8.9 billion and 8.8 billion, respectively, in notional amounts were issued and are outstanding. The outstanding amounts as of September 30, 2010 and 2009 comprise U.S.$500 (366) floating rate notes due in March 2012, bearing interest of

0.15 percent above the 3 months London Interbank Offered Rate 3mLIBOR and U.S.$500 (366) 5.625 percent fixed rate notes due in March 2016 as well as 1.55 billion 5.250 percent note due December 12, 2011; 1 billion 5.375 percent note due June 11, 2014; and 1.6 billion 5.625 percent note due June 11, 2018. In fiscal 2009, Siemens updated the program and issued in total additional 4.0 billion fixed-interest notes under the program in two tranches comprising a 2.0 billion 4.125 percent note due February 20, 2013 and a 2.0 billion 5.125 percent note due February 20, 2017.

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Extendible

In fiscal 2008, the Company issued floating rate extendible notes with a nominal value of 500, which were redeemed at face value on the first maturity date at the end of June 2009. The notes bore 0.23 percent interest above the 3 months European Interbank Offered Rate 3mEURIBOR.

U.S.$ Medium Term Notes

In August 2006, the Company issued U.S.$5.0 billion of notes (3.7 billion). These notes were issued in four tranches comprising: U.S.$750 Floating Rate Notes (3mU.S.$ LIBOR + 0.05 percent) due August 14, 2009; redeemed at face value at its maturity date; U.S.$750, 5.5 percent Notes due February 16, 2012; U.S.$1.750 billion 5.75 percent Notes due October 17, 2016 and U.S.$1.750 billion 6.125 percent Notes due August 17, 2026. With respect to the floating rate notes, the Company may, on or after February 14, 2008, redeem all or some of the Notes at the early redemption amount, according to the conditions of the bond. Regarding the fixed rate notes, the Company may redeem, at any time, all or some of the notes at the early redemption amount (call) according to the conditions of the bond.

Hybrid Capital Bond

In September 2006, the Company issued a subordinated Hybrid Capital Bond, which is on a subordinated basis guaranteed by Siemens. The subordinated bond was issued in a EUR tranche of 900 and a British pound tranche of £750 million (872), both with a legal final maturity on September 14, 2066 and with a call option for Siemens in 2016 or thereafter. The bonds bear a fixed interest rate (5.25 percent for the EUR tranche and 6.125 percent for the British pound tranche) until September 14, 2016, thereafter, floating rate interest according to the conditions of the bond.

Euro Bond

In June 2001, the Company issued 2 billion 5.75 percent bonds due July, 2011.

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Details of the Company s notes and bonds are as follows:

	September 30, 2010			September 30, 2009		
	Currency (notional amount) (in million)		Carrying amount in (1)	Currency (notional amount) (in million)		Carrying amount in (1)
U.S.$ LIBOR+0.15% 2006/2012 U.S.$ notes	USD	500	366	USD	500	341
5.625% 2006/2016 U.S.$ notes	USD	500	437	USD	500	386
5.25% 2008/2011 EUR Medium Term Note	EUR	1,550	1,619	EUR	1,550	1,644
5.375% 2008/2014 EUR Medium Term Note	EUR	1,000	1,099	EUR	1,000	1,084
5.625% 2008/2018 EUR Medium Term Note	EUR	1,600	1,858	EUR	1,600	1,763
4.125% 2009/2013 EUR Medium Term Note	EUR	2,000	2,030	EUR	2,000	2,000
5.125% 2009/2017 EUR Medium Term Note	EUR	2,000	2,085	EUR	2,000	1,977
Total Euro Medium-term notes			**9,494**			**9,195**
5.5% 2006/2012 U.S.$ notes	USD	750	586	USD	750	556
5.75% 2006/2016 U.S.$ notes	USD	1,750	1,503	USD	1,750	1,366
6.125% 2006/2026 U.S.$ notes	USD	1,750	1,683	USD	1,750	1,439
Total U.S. $ Medium Notes			**3,772**			**3,361**
5.25% 2006/2066 EUR bonds	EUR	900	984	EUR	900	941
6.125% 2006/2066 GBP bonds	GBP	750	988	GBP	750	874
Total Hybrid Capital Bond			**1,972**			**1,815**
5.75% 2001/2011 EUR bonds	EUR	2,000	2,062	EUR	2,000	2,129
			2,062			**2,129**
Other						**2**
			17,300			**16,502**

(1) Includes adjustments for fair value hedge accounting.

c) Assignable loans

In the third quarter of fiscal 2008, the Company raised assignable loans. The loans, totaling 1.1 billion and 1.1 billion in nominal and carrying amount as of September 30, 2010 and 2009, respectively, are for general corporate purposes and were issued in four tranches: 370 floating rate notes (6mEURIBOR + 0.55 percent) due June 12, 2013; 113.5, 5.283 percent notes due June 12, 2013; 283.5 floating rate notes (6mEURIBOR + 0.70 percent) due June 12, 2015 and 333, 5.435 percent notes due June 12, 2015.

d) Credit facilities

The credit facilities at September 30, 2010 and 2009 consisted of 7.04 billion and 6.6 billion, respectively, in committed lines of credit. These include a U.S.$5.0 billion syndicated multi-currency revolving credit facility expiring March 2012 and a U.S.$4.0 billion syndicated multi-currency revolving credit facility expiring August 2013. The U.S.$4 billion facility comprises a U.S.$1.0 billion term loan which was drawn in January 2007, bearing interest of 0.15 percent above 3mLIBOR as well as a U.S.$3.0 billion revolving tranche not yet drawn. It also includes a third revolving credit facility provided by a domestic bank with an aggregate amount of 450 expiring in September 2012. As of September 30, 2010 and 2009, 6.3 billion of these lines of credit remained unused. Commitment fees for the years ended September 30, 2010, 2009 and 2008 amount to 3.2, 2.7 and 2.8, respectively. The facilities are for general business purposes.

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As of September 30, 2010 and 2009, the aggregate amounts of indebtedness maturing during the next five years and thereafter are as follows (excluding finance leases which are disclosed separately):

	September 30,	
Fiscal year	**2010**	**2009**
2010		653
2011	2,368	2,243
2012	2,660	2,595
2013	3,266	3,200
2014	1,108	1,112
2015	689	
After 2015 in fiscal 2010 (after 2014 in fiscal 2009)	9,651	9,641
	19,742	19,444

Other financial indebtedness

Other financial indebtedness includes 162 and 393 as of September 30, 2010 and 2009, respectively, for the Company s real estate assets that were sold or transferred and in which Siemens has retained significant risks and rewards of ownership, including circumstances in which Siemens participates directly or indirectly in the change in market value of the property. Therefore, these transactions have been accounted for as financing obligations. These real estate properties are carried on the Company s Consolidated Statements of Financial Position and no sale and profit has been recognized. For the fiscal 2010 real estate transaction see Note 6. As of September 30, 2010 and 2009, *Other financial indebtedness* also includes and 337, respectively, of U.S.$ outstanding global commercial paper.

Obligations under finance leases

As of September 30, 2010 and 2009, the finance lease liabilities are as follows:

	September 30, 2010			September 30, 2009		
Due	**Minimum future lease payment obligation**	**Unamortized interest expense**	**Present value of minimum future lease payment obligation**	**Minimum future lease payment obligation**	**Unamortized interest expense**	**Present value of minimum future lease payment obligation**
Within 1 year	57	8	49	54	9	45
1 to 2 years	21	3	18	47	5	42

2 to 3 years	26	2	24	15	2	13
3 to 4 years	7	2	5	19	2	17
4 to 5 years	8	3	5	7	2	5
Thereafter	73	3	70	77	5	72
Total	192	21	171	219	25	194
Less: Current portion			(49)			(45)
			122			149

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24. Pension plans and similar commitments

Pension benefits provided by Siemens are currently organized primarily through defined benefit pension plans which cover almost all of the Company s domestic employees and many of the Company s foreign employees. To reduce the risk exposure to Siemens arising from its pension plans, the Company performed a redesign of some major pension plans during the last several years towards benefit schemes which are predominantly based on contributions made by the Company. In order to fund Siemens pension obligations, the Company s major pension plans are funded with assets in segregated pension entities.

Furthermore, the Company provides other post-employment benefits, which primarily consist of transition payments to German employees after retirement as well as post-employment health care and life insurance benefits to employees in the U.S. and Canada. These predominantly unfunded other post-employment benefit plans qualify as defined benefit plans under IFRS.

The Consolidated Statements of Financial Position include the following significant components related to pension plans and similar commitments based upon the situation as of September 30, 2010 and 2009:

	September 30,	
	2010	**2009**
Principal pension benefit plans	6,563	4,203
Principal other post-employment benefit plans	730	639
Other	1,171	1,096
Liabilities for pension plans and similar commitments	**8,464**	**5,938**
Prepaid costs for post-employment benefits	**37**	**49**
Actuarial (losses)/gains	(6,023)	(3,141)
Effects in connection with asset ceiling	(145)	(139)
Income tax effect	1,259	425
Net amount recognized in the Consolidated Statements of Changes in Equity, net of tax	**(4,909)**	**(2,855)**

In addition to the above, the Company has foreign defined contribution plans for pensions and other post-employment benefits or makes contributions to social pension funds based on legal regulations (State plans). The recognition of a liability is not required because the obligation of the Company is limited to the payment of the contributions into these plans or funds.

Other in the table above includes non-principal pension benefit plans, non-principal other post-employment benefit plans and other long-term post-employment benefit plans. Other long-term post-employment benefit plans include benefits granted to former employees immediately after the end of their employment, independent of the employee s reason for leaving.

Principal pension benefits

The principal pension benefit plans cover 482,000 participants, including 178,000 active employees, 101,000 former employees with vested benefits and 203,000 retirees and surviving dependents. Individual benefits are generally based on eligible compensation levels and/or ranking within the Company hierarchy and years of service. Retirement benefits under these plans vary depending on legal, fiscal and economic requirements in each country. The majority of Siemens active employees in Germany participate in a pension scheme introduced in fiscal 2004, the BSAV (Beitragsorientierte Siemens Altersversorgung). The BSAV is a funded defined benefit pension plan whose benefits are predominantly based on contributions made by the Company and returns earned on such

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contributions, subject to a minimum return guaranteed by the Company. The BSAV is funded via the BSAV Trust. In connection with the implementation of the BSAV, benefits provided under defined benefit pension plans funded via the Siemens German Pension Trust were modified to substantially eliminate the effects of compensation increases by freezing the accrual of benefits under the majority of these plans.

The Company s principal pension benefit plans are explicitly explained in the subsequent sections with regard to:

Pension obligations and funded status,
Components of NPBC,
Amounts recognized in the Consolidated Statements of Comprehensive Income,
Assumptions used for the calculation of the DBO and NPBC,
Sensitivity analysis,
Plan assets, and
Pension benefit payments.

Pension benefits: Pension obligations and funded status

A reconciliation of the funded status of the principal pension benefit plans to the amounts recognized in the Consolidated Statements of Financial Position is as follows:

	September 30, 2010			**September 30, 2009**		
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
Fair value of plan assets	23,302	14,049	9,253	21,144	13,274	7,870
Total defined benefit obligation	29,659	18,524	11,135	25,159	15,783	9,376
Defined benefit obligation (funded)	*29,391*	*18,524*	*10,867*	*24,949*	*15,783*	*9,166*
Defined benefit obligation (unfunded)	*268*		*268*	*210*		*210*
Funded status	(6,357)	(4,475)	(1,882)	(4,015)	(2,509)	(1,506)
Germany	*(4,475)*	*(4,475)*		*(2,509)*	*(2,509)*	
U.S.	*(1,090)*		*(1,090)*	*(954)*		*(954)*
U.K.	*(324)*		*(324)*	*(371)*		*(371)*
Other	*(468)*		*(468)*	*(181)*		*(181)*
Unrecognized past service cost (benefits)	(92)		(92)	(65)		(65)
Effects due to asset ceiling	(103)		(103)	(104)		(104)
Net amount recognized	**(6,552)**	**(4,475)**	**(2,077)**	**(4,184)**	**(2,509)**	**(1,675)**
Amounts recognized in the Consolidated Statements of Financial Position consist of:						

Pension asset	11		11	19	17	2
Pension liability	(6,563)	(4,475)	(2,088)	(4,203)	(2,526)	(1,677)

The fair value of plan assets, DBO and funded status as of September 30, 2008 amounted to 20,194, 22,654 and (2,460), respectively. As of September 30, 2007, the fair value of plan assets, DBO and funded status were 24,013, 25,052 and (1,039). As of September 30, 2006, the fair value of plan assets, DBO and funded status were 23,755, 26,696 and (2,941).

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A detailed reconciliation of the changes in the DBO for fiscal 2010 and 2009 as well as additional information by country is provided in the following table:

	September 30, 2010			September 30, 2009		
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
Change in defined benefit obligations:						
Defined benefit obligation at beginning of year	25,159	15,783	9,376	22,654	13,782	8,872
Foreign currency exchange rate changes	714		714	(426)		(426)
Service cost	489	303	186	451	272	179
Interest cost	1,327	825	502	1,372	853	519
Settlements and curtailments	(305)	(1)	(304)	(50)	(2)	(48)
Plan participants contributions	133	78	55	147	101	46
Amendments and other	56	14	42	353	25	328
Actuarial (gains) losses	3,527	2,469	1,058	2,054	1,667	387
Acquisitions	2	1	1	2	1	1
Divestments	(68)	(4)	(64)	(37)	(5)	(32)
Benefits paid	(1,375)	(944)	(431)	(1,361)	(911)	(450)
Defined benefit obligation at end of year	**29,659**	**18,524**	**11,135**	**25,159**	**15,783**	**9,376**
Germany	*18,524*	*18,524*		*15,783*	*15,783*	
U.S.	*4,042*		*4,042*	*3,503*		*3,503*
U.K.	*3,397*		*3,397*	*2,859*		*2,859*
Other	*3,696*		*3,696*	*3,014*		*3,014*

The total defined benefit obligation at the end of the fiscal year includes 9,569 for active employees, 3,855 for former employees with vested benefits and 16,235 for retirees and surviving dependents.

In fiscal 2010, the DBO increased due to a decrease in discount rate for the domestic and foreign pension plans. The item *Settlements and curtailments* in fiscal 2010, in the table above, include (193) resulting from a curtailment of pension plans in the U.S. and (109) due to a partial settlement of pension plans in Canada. In fiscal 2009, the DBO increased due to a decrease in discount rate for the domestic and foreign pension plans. The negative effect of a discount rate decrease in fiscal 2009 was partly offset by a decrease in pension progression and compensation increase rate as well as by experience adjustments.

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The following table shows the change in plan assets in fiscal 2010 and 2009 and additional information by country:

	September 30, 2010			September 30, 2009		
	Total	Domestic	Foreign	Total	Domestic	Foreign
Change in plan assets:						
Fair value of plan assets at beginning of year	21,144	13,274	7,870	20,194	12,340	7,854
Foreign currency exchange rate changes	618		618	(343)		(343)
Expected return on plan assets	1,348	840	508	1,250	774	476
Actuarial gains (losses) on plan assets	936	560	376	656	772	(116)
Acquisitions and other	51	5	46	204		204
Divestments and other	(45)	(2)	(43)	6	(3)	9
Settlements	(93)		(93)	(12)		(12)
Employer contributions	585	238	347	403	201	202
Plan participants contributions	133	78	55	147	101	46
Benefits paid	(1,375)	(944)	(431)	(1,361)	(911)	(450)
Fair value of plan assets at end of year	**23,302**	**14,049**	**9,253**	**21,144**	**13,274**	**7,870**
Germany	*14,049*	*14,049*		*13,274*	*13,274*	
U.S.	*2,952*		*2,952*	*2,549*		*2,549*
U.K.	*3,073*		*3,073*	*2,488*		*2,488*
Other	*3,228*		*3,228*	*2,833*		*2,833*

Employer contributions expected to be paid to the principal funded pension plans during fiscal 2011 are 760, therein 266 to the domestic pension plans and 494 to the foreign pension plans.

The item *Employer contributions* in fiscal 2010, in the table above, includes supplemental employer contributions in the U.K. The amount of (93) in line item *Settlements* in fiscal 2010 is due to the partial settlement of pension plans in Canada. In fiscal 2009, the Company merged some pension schemes in the U.S., originating from the acquisition of the Dade Behring business in fiscal 2008 with its principal pension plans. Accordingly, the DBO and plan assets of the plans reported in the preceding two tables increased by 224 and 128. Such amounts are included in the items *Amendments and other* and *Acquisitions and other*.

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Pension benefits: Components of NPBC

The components of the NPBC for the fiscal years ended September 30, 2010, 2009 and 2008 are as follows:

	Year ended September 30, 2010			Year ended September 30, 2009			Year ended September 30, 2008		
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
Service cost	489	303	186	451	272	179	511	279	232
Interest cost	1,327	825	502	1,372	853	519	1,246	765	481
Expected return on plan assets	(1,348)	(840)	(508)	(1,250)	(774)	(476)	(1,471)	(929)	(542)
Amortization of past service cost (benefits)	17		17	14	17	(3)	(1)		(1)
Loss (gain) due to settlements and curtailments	(183)	(1)	(182)	(38)	(2)	(36)	(46)	(26)	(20)
Net periodic benefit cost	**302**	**287**	**15**	**549**	**366**	**183**	**239**	**89**	**150**
Germany	*287*	*287*		*366*	*366*		*89*	*89*	
U.S.	*(51)*		*(51)*	*144*		*144*	*132*		*132*
U.K.	*25*		*25*	*30*		*30*	*15*		*15*
Other	*41*		*41*	*9*		*9*	*3*		*3*

Net periodic benefit cost in fiscal 2010, in the table above, include a 193 curtailment gain resulting from the freeze of pension plans in the U.S. Employees will keep benefits earned, however, will not earn future benefits under these plans. Instead, employer contributions will be made to existing defined contribution plans. Net periodic benefit cost in fiscal 2008, in the table above, includes (21) related to discontinued operations. The amount includes (59) settlement gain as a result from the disposal of the SV and SEN pension liabilities and 38 other net periodic pension cost of SV and SEN.

Pension benefits: Amounts recognized in the Consolidated Statements of Comprehensive Income

The actuarial gains and losses on defined benefit pension plans recognized in the Consolidated Statements of Comprehensive Income for the fiscal years ended September 30, 2010, 2009 and 2008 were as follows:

Year ended September 30, 2010			Year ended September 30, 2009			Year ended September 30, 2008		
Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**

Actuarial losses (gains)	2,591	1,909	682	1,398	895	503	1,900	944	956
Effects in connection with asset ceiling	(9)		(9)	104		104			
Income tax effect	(774)	(584)	(190)	(398)	(194)	(204)	(50)	252	(302)
Net amount recognized in the Consolidated Statements of Comprehensive income, net of tax	**1,808**	**1,325**	**483**	**1,104**	**701**	**403**	**1,850**	**1,196**	**654**
Germany	*1,325*	*1,325*		*701*	*701*		*1,196*	*1,196*	
U.S.	*138*		*138*	*130*		*130*	*198*		*198*
U.K.	*71*		*71*	*268*		*268*	*263*		*263*
Other	*274*		*274*	*5*		*5*	*193*		*193*

Pension benefits: Assumptions for the calculation of the DBO and NPBC

Assumed discount rates, compensation increase rates and pension progression rates used in calculating the DBO together with long-term rates of return on plan assets vary according to the economic conditions of the country in which the retirement plans are situated or where plan assets are invested as well as capital market expectations.

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The weighted-average discount rate used for the actuarial valuation of the DBO at period-end and the expected return on plan assets for the fiscal year ending at period-end were as follows:

	Year ended September 30, 2010			Year ended September 30, 2009			Year ended September 30, 2008		
	Total	**Dom.**	**For.**	**Total**	**Dom.**	**For.**	**Total**	**Dom.**	**For.**
Discount rate	4.2%	4.0%	4.4%	5.3%	5.3%	5.2%	6.2%	6.4%	6.0%
Germany	*4.0%*	*4.0%*		*5.3%*	*5.3%*		*6.4%*	*6.4%*	
U.S.	*4.80%*		*4.80%*	*5.69%*		*5.69%*	*6.79%*		*6.79%*
U.K.	*5.3%*		*5.3%*	*5.7%*		*5.7%*	*6.5%*		*6.5%*
Expected return on plan assets	6.4%	6.5%	6.2%	6.5%	6.5%	6.4%	6.5%	6.5%	6.5%
Germany	*6.5%*	*6.5%*		*6.5%*	*6.5%*		*6.5%*	*6.5%*	
U.S.	*6.95%*		*6.95%*	*6.97%*		*6.97%*	*6.97%*		*6.97%*
U.K.	*6.0%*		*6.0%*	*6.5%*		*6.5%*	*6.7%*		*6.7%*

The rates of compensation increase for countries with significant effects with regard to this assumption were as follows for the years ended September 30, 2010, 2009 and 2008: U.S.: 3.52 percent, 3.76 percent and 4.05 percent, U.K. 5.00 percent, 4.9 percent and 5.4 percent, Switzerland: 1.5 percent, 1.5 percent and 2.5 percent, Netherlands: 2.95 percent, 2.95 percent and 2.95 percent. The compensation increase rate for the domestic pension plans for the year ended September 30, 2010, was 2.25 percent (2009: 2.25 percent, 2008: 2.25 percent). However, due to the implementation of the BSAV, the effect of the compensation increase on the domestic pension plans is substantially eliminated. The rates of pension progression for countries with significant effects with regard to this assumption were as follows for the years ended September 30, 2010, 2009 and 2008: Germany: 1.75 percent, 1.75 percent and 1.75 percent, U.K.: 3.1 percent, 3.0 percent and 3.6 percent, Netherlands: 1.61 percent, 1.5 percent and 2.0 percent.

The assumptions used for the calculation of the DBO as of the period-end of the preceding fiscal year are used to determine the calculation of interest cost and service cost of the following year. The total expected return for the fiscal year will be based on the expected rates of return for the respective year multiplied by the fair value of plan assets at the preceding fiscal years period-end date. The fair value and thus the expected return on plan assets are adjusted for significant events after the fiscal year end, such as a supplemental funding.

The discount rate assumptions reflect the rates available on high-quality corporate bonds or government bonds of consistent duration and currency at the period-end date. The expected return on plan assets is determined on a uniform basis, considering long-term historical returns, asset allocation, and future estimates of long-term investment returns. In fiscal 2010 and fiscal 2009, the expected return on plan assets remained primarily unchanged. Changes of other actuarial assumptions not mentioned above, such as employee turnover, mortality, disability, etc., had an only minor effect on the overall DBO as of September 30, 2010.

Experience adjustments, which result from differences between the actuarial assumptions and the actual occurrence, did not affect the DBO in fiscal 2010, decreased the DBO by 0.5 percent in fiscal 2009, increased the DBO by

0.4 percent in fiscal 2008 and did not affect the DBO in fiscal 2007 and fiscal 2006.

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Pension benefits: Sensitivity analysis

A one-percentage-point change of the established assumptions mentioned above, used for the calculation of the NPBC for fiscal 2011, or a change in the fair value of plan assets of 500, as of September 30, 2010, respectively, would result in the following increase (decrease) of the fiscal 2011 NPBC:

	Effect on NPBC 2011 due to a	
	one-percentage-point/ 500 increase	one-percentage-point/ 500 decrease
Discount rate	47	(67)
Expected return on plan assets	(210)	210
Rate of compensation increase	21	(20)
Rate of pension progression	159	(124)
Fair value of plan assets	(32)	32

Increases and decreases in the discount rate, rate of compensation increase and rate of pension progression which are used in determining the DBO do not have a symmetrical effect on NPBC primarily due to the compound interest effect created when determining the net present value of the future pension benefit. If more than one of the assumptions were changed simultaneously, the cumulative impact would not necessarily be the same as if only one assumption was changed in isolation.

Pension benefits: Plan assets

The asset allocation of the plan assets of the principal pension benefit plans as of the period-end date in fiscal 2010 and 2009, as well as the target asset allocation for fiscal year 2011, are as follows:

	Target asset allocation	Asset allocation					
		September 30, 2010			September 30, 2009		
Asset class	September 30, 2011	Total	Domestic	Foreign	Total	Domestic	Foreign
Equity	20-50%	27%	27%	28%	27%	27%	29%
Fixed income	40-70%	62%	62%	61%	61%	62%	59%
Real estate	5-15%	7%	6%	9%	9%	8%	9%
Cash and other assets	0-15%	4%	5%	2%	3%	3%	3%
		100%	100%	100%	100%	100%	100%

Derivatives are reported under the asset class whose risk is hedged. Current asset allocation is composed of high quality government and selected corporate bonds. Siemens constantly reviews the asset allocation in light of the duration of its pension liabilities and analyzes trends and events that may affect asset values in order to initiate appropriate measures at a very early stage.

The plan assets include own shares and debt instruments of the Company with a fair value of 68 and 50 as of September 30, 2010 and 2009. As of September 30, 2009 plan assets included domestic real estate with a fair value of 274, which is occupied by the Company. This real estate was sold in fiscal 2010, see Note 6.

The following table shows the actual return on plan assets in fiscal 2010, 2009 and 2008:

	Year ended September 30, 2010			**Year ended September 30, 2009**			**Year ended September 30, 2008**		
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
Actual return on plan assets	2,284	1,400	884	1,906	1,546	360	(2,177)	(1,627)	(550)

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The actual return over the last twelve months amounted to 10.8 percent or 2,284 compared to an expected return of 6.4 percent or 1,348. The experience adjustment arising on plan assets was 4.4 percent in fiscal 2010 (fiscal 2009: 3.5 percent; fiscal 2008: (16.2) percent; fiscal 2007: (0.9) percent; fiscal 2006: (0.3) percent). For the domestic pension plans, 1,400 or 10.8 percent was realized, as compared to an expected return on plan assets of 6.5 percent or an amount of 840 that was included in the NPBC. For the foreign pension plans, 884 or 10.7 percent was realized, as compared to an expected return on plan assets of 6.4 percent or an amount of 508 that was included in the NPBC.

Pension benefits: Pension benefit payments

The following overview comprises pension benefits paid out of the principal pension benefit plans during the years ended September 30, 2010 and 2009, and expected pension payments for the next five years and in the aggregate for the five years thereafter (undiscounted):

	Total	Domestic	Foreign
Pension benefits paid			
2009	1,361	911	450
2010	1,375	944	431
Expected pension payments			
2011	1,397	941	456
2012	1,436	975	461
2013	1,434	965	469
2014	1,459	979	480
2015	1,481	994	487
2016-2020	7,749	5,153	2,596

As pension benefit payments for Siemens principal funded pension benefit plans reduce the DBO and plan assets by the same amount, there is no impact on the funded status of such plans.

Principal other post-employment benefits

In Germany, employees who entered into the Company s employment on or before September 30, 1983, are entitled to transition payments for the first six months after retirement equal to the difference between their final compensation and the retirement benefits payable under the corporate pension plan. Certain foreign companies, primarily in the U.S. and Canada, provide other post-employment benefits in the form of medical, dental and life insurance. The amount of obligations for other post-employment benefits in the form of medical and dental benefits specifically depends on the expected cost trend in the healthcare sector. To be entitled to such healthcare benefits, participants must contribute to the insurance premiums. Participant contributions are based on specific regulations of cost sharing which are defined in the benefit plans. The Company has the right to adjust the cost allocation at any time, generally this is done on an annual basis. Premiums for life insurance benefits are paid solely by the Company.

The Company s principal other post-employment benefits are illustrated in detail in the subsequent sections with regard to:

Obligations and funded status,

Plan assets,

Components of NPBC,

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Amounts recognized in the Consolidated Statements of Comprehensive Income,

Assumptions used in the calculation of the DBO and the NPBC,

Sensitivity analysis, and

Benefit payments.

Other post-employment benefits: Obligations and funded status

The funded status of plan assets and a reconciliation of the funded status to the amounts recognized in the Consolidated Statements of Financial Position are as follows:

	September 30, 2010			September 30, 2009		
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
Fair value of plan assets	4		4	3		3
Total defined benefit obligation	742	338	404	649	307	342
Defined benefit obligation (funded)	*278*		*278*	*230*		*230*
Defined benefit obligation (unfunded)	*464*	*338*	*126*	*419*	*307*	*112*
Funded status	(738)	(338)	(400)	(646)	(307)	(339)
Unrecognized past service cost (benefits)	8		8	7		7
Net amount recognized	**(730)**	**(338)**	**(392)**	**(639)**	**(307)**	**(332)**

The following table shows a detailed reconciliation of the changes in the benefit obligation for other post-employment benefits for the years ended September 30, 2010 and 2009:

	September 30, 2010			September 30, 2009		
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
Change in benefit obligations:						
Defined benefit obligation at beginning of year	649	307	342	650	288	362
Foreign currency exchange rate changes	25		25	(7)		(7)
Service cost	16	10	6	15	9	6
Interest cost	37	16	21	41	18	23
Settlements and curtailments	(7)	(5)	(2)	(9)	(9)	

Plan amendments and other	10	16	(6)	(30)	(1)	(29)
Actuarial (gains) losses	69	24	45	50	36	14
Acquisitions						
Divestments						
Benefits paid	(57)	(30)	(27)	(61)	(34)	(27)
Defined benefit obligation at end of year	**742**	**338**	**404**	**649**	**307**	**342**

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Other post-employment benefits: Plan assets

The following table shows the change in plan assets in fiscal 2010 and 2009:

	September 30, 2010			September 30, 2009		
	Total	Domestic	Foreign	Total	Domestic	Foreign
Change in plan assets:						
Fair value of plan assets at beginning of year	3		3	3		3
Actual return on plan assets	1		1			
Employer contributions	27		27	27		27
Benefits paid	(27)		(27)	(27)		(27)
Fair value of plan assets at end of year	**4**		**4**	**3**		**3**

Other post-employment benefits: Components of NPBC

The components of the NPBC for other post-employment benefits for the years ended September 30, 2010, 2009 and 2008 are as follows:

	Year ended September 30, 2010			Year ended September 30, 2009			Year ended September 30, 2008		
	Total	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign
Service cost	16	10	6	15	9	6	18	10	8
Interest cost	37	16	21	41	18	23	38	16	22
Amortization of unrecognized past service cost (benefits)	1		1	(30)		(30)	1		1
Loss (gain) due to settlements and curtailments	(7)	(5)	(2)	(9)	(9)		(3)	(7)	4
Net periodic benefit cost	**47**	**21**	**26**	**17**	**18**	**(1)**	**54**	**19**	**35**

Net periodic benefit cost, in fiscal 2008, in the table above, includes 5 related to discontinued operations. The amount includes 3 settlement loss as a result from the disposal of the SV and SEN pension liabilities and 2 other net periodic pension cost of SV and SEN.

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Other post-employment benefits: Amounts recognized in the Consolidated Statements of Comprehensive Income

The actuarial gains and losses on other post-employment benefit plans recognized in the Consolidated Statements of Comprehensive Income for the fiscal years ended September 30, 2010, 2009 and 2008 were as follows:

	Year ended September 30, 2010			Year ended September 30, 2009			Year ended September 30, 2008		
	Total	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign
Actuarial losses (gains)	69	24	45	50	36	14	(27)	(14)	(13)
Income tax effect	(24)	(7)	(17)	(16)	(11)	(5)	9	4	5
Net amount recognized in the Consolidated Statements of Comprehensive Income, net of tax	**45**	**17**	**28**	**34**	**25**	**9**	**(18)**	**(10)**	**(8)**
Germany	*17*	*17*		*25*	*25*		*(10)*	*(10)*	
U.S.	*21*		*21*	*8*		*8*	*(5)*		*(5)*
Canada	*7*		*7*	*1*		*1*	*(3)*		*(3)*

Other post-employment benefits: Assumptions used in the calculation of the DBO and NPBC

Discount rates and other key assumptions used for transition payments in Germany are the same as those utilized for domestic pension benefit plans.

The weighted-average assumptions used in calculating the actuarial values for the post-employment healthcare and life insurance benefits are as follows:

	Year ended September 30, 2010	Year ended September 30, 2009	Year ended September 30, 2008
Discount rate	4.81%	5.66%	6.70%
U.S.:			
Medical trend rates (initial/ultimate/year):			
Medicare ineligible pre-65	8.0%/5%/2017	8.5%/5%/2017	9%/5%/2017
Medicare eligible post-65	8.5%/5%/2018	9%/5%/2018	9%/5%/2017
Dental trend rates (initial/ultimate/year)	6%/5%/2021	6%/5%/2021	6%/5%/2021
Canada:			
Medical trend rates	5.00%	5.00%	5.00%

Drug trend rates	5%	7%/5%/2010	7%/5%/2010
Dental trend rates	4.00%	4.00%	4.00%

Experience adjustments, which result from differences between the actuarial assumptions and the actual occurrence, increased the DBO by 0.5 percent in fiscal 2010 and decreased the DBO by 1.6 percent, 0.9 percent, 0.3 percent and 1.5 percent in fiscal 2009, 2008, 2007 and 2006, respectively.

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Other post-employment benefits: Sensitivity analysis

The health care assumptions may be significantly influenced by the expected progression in health care expense. A one-percentage-point change in the healthcare trend rates would have resulted in the following increase (decrease) of the defined benefit obligation and the service and interest cost as of and for the year ended September 30, 2010:

	September 30, 2010 One-percentage-point	
	increase	decrease
Effect on defined benefit obligation	17	(14)
Effect on total of service and interest cost components	1	(1)

Other post-employment benefits: Benefit payments

The following overview comprises benefit payments for other post-employment benefits paid out of the principal other defined benefit post-employment plans during the years ended September 30, 2010 and 2009, and expected pension payments for the next five years and in the aggregate for the five years thereafter (undiscounted):

	Total	Domestic	Foreign
Payments for other post-employment benefits			
2009	61	34	27
2010	57	30	27
Expected payments for other post-employment benefits			
2011	66	38	28
2012	57	29	28
2013	53	25	28
2014	58	31	27
2015	65	37	28
2016-2020	342	203	139

Since the benefit obligations for other post-employment benefits are generally not funded, such payments will impact the current operating cash flow of the Company.

Other liabilities for pension plans and similar commitments

Other liabilities for pension plans and similar commitments include liabilities for non-principal unfunded post-employment benefits of 923 and 868, as well as liabilities for non-principal funded post-employment benefits of 248 and 228 as of September 30, 2010 and 2009, respectively.

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The components of the NPBC for other liabilities for pension plans and similar commitments for the years ended September 30, 2010, 2009 and 2008 are as follows:

	Year ended September 30, 2010			Year ended September 30, 2009			Year ended September 30, 2008
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**
Service cost	58	2	56	65	4	61	84
Interest cost	96	20	76	117	24	93	121
Expected return on plan assets	(48)	(1)	(47)	(53)	(1)	(52)	(67)
Amortization of past service cost (benefits)	4		4	5	1	4	11
Loss (gain) due to settlements and curtailments	(45)		(45)	2	(7)	9	(23)
Net periodic benefit cost	**65**	**21**	**44**	**136**	**21**	**115**	**126**

Defined contribution plans and state plans (continuing operations)

The amount recognized as an expense for defined contribution plans amounted to 352 in fiscal 2010, 382 in fiscal 2009, and 314 in fiscal 2008, respectively. Contributions to state plans amounted to 1,604 in fiscal 2010, 1,640 in fiscal 2009, and 1,615 in fiscal 2008, respectively.

25. Provisions

	Warranties	**Order related losses and risks**	**Asset retirement obligations**	**Other**	**Total**
Balance as of October 1, 2009	3,000	1,662	816	1,484	6,962
Additions	1,797	1,129	1	851	3,778
Usage	(718)	(526)	(10)	(283)	(1,537)
Reversals	(554)	(286)	(62)	(297)	(1,199)
Translation differences	70	31	2	41	144
Accretion expense and effect of changes in discount rates	2	6	295	7	310
Other changes	(6)	1	11	6	12
Balance as of September 30, 2010	**3,591**	**2,017**	**1,053**	**1,809**	**8,470**

Thereof non-current	*1,103*	*642*	*1,033*	*554*	*3,332*

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	Warranties	Order related losses and risks	Asset retirement obligations	Other	Total
Balance as of October 1, 2008	2,744	1,705	682	2,567	7,698
Additions	1,508	948	3	719	3,178
Usage	(713)	(630)	(29)	(1,457)	(2,829)
Reversals	(485)	(300)	(6)	(389)	(1,180)
Translation differences	(23)	(33)	(1)	(12)	(69)
Accretion expense and effect of changes in discount rates	4	15	161	10	190
Other changes	(35)	(43)	6	46	(26)
Balance as of September 30, 2009	**3,000**	**1,662**	**816**	**1,484**	**6,962**
Thereof non-current	*861*	*551*	*793*	*566*	*2,771*

Except for asset retirement obligations (see discussion below), the majority of the Company s provisions are generally expected to result in cash outflows during the next 1 to 15 years.

Warranties mainly relate to products sold. See Note 2 *product related expenses* for further information concerning our policy for estimating warranty provisions.

Order related losses and risks are provided for anticipated losses and risks on uncompleted construction, sales and leasing contracts.

Asset retirement obligations The Company is subject to asset retirement obligations related to certain items of property, plant and equipment. Such asset retirement obligations are primarily attributable to environmental clean-up costs which amounted to 1,004 and 780, respectively, as of September 30, 2010 and 2009 (the non-current portion thereof being 992 and 764, respectively) and to costs primarily associated with the removal of leasehold improvements at the end of the lease term amounting to 49 and 36, respectively, as of September 30, 2010 and 2009 (the non-current portion thereof being 41 and 29, respectively).

Environmental clean-up costs relate to remediation and environmental protection liabilities which have been accrued based on the estimated costs of decommissioning facilities for the production of uranium and mixed-oxide fuel elements in Hanau, Germany (Hanau facilities), as well as a nuclear research and service center in Karlstein, Germany (Karlstein facilities). According to the German Atomic Energy Act, when such a facility is closed, the resulting radioactive waste must be collected and delivered to a government-developed final storage facility. In this regard, the Company has developed a plan to decommission the Hanau and Karlstein facilities in the following steps: clean-out, decontamination and disassembly of equipment and installations, decontamination of the facilities and buildings, sorting of radioactive materials, and intermediate and final storage of the radioactive waste. This process will be supported by continuing engineering studies and radioactive sampling under the supervision of German federal and state authorities. The decontamination, disassembly and sorting activities are planned to continue until 2015; thereafter, the Company is responsible for intermediate storage of the radioactive materials until a final storage facility is available. With respect to the Hanau facility, the process of setting up intermediate storage for radioactive waste has nearly reached completion; on September 21, 2006, the Company received official notification from the authorities that the Hanau facility has been released from the scope of application of the German Atomic Energy Act and that its further use is unrestricted. The ultimate costs of the remediation are contingent on the decision of the federal government on the location of the final storage facility and the date of its availability. Consequently, the provision is based on a number of significant estimates and assumptions.

In fiscal 2010, several parameters relating to the development of a final storage facility for radioactive waste were specified on the so called Schacht Konrad final storage. Using the input of an independent advisor, management adjusted its valuation of the liability in fiscal 2010. The valuation uses revised assumptions to reflect

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more current and detailed cost estimates, price inflation and discount rates as well as a longer spread of future cash outflows. While the valuation as of September 30, 2009 assumed a lump sum payment in 2033 related to the costs for the final storage, the updated accounting estimates applied as of the third quarter of fiscal 2010, now assume a continuous outflow until 2084 related to the costs for dismantling as well as intermediate and final storage. The change in estimates resulted in a decrease of the related provision of 60.

The determination of the provisions related to major asset retirement obligations will continue to involve significant estimates and assumptions. Uncertainties surrounding the amount to be recognized include, for example, the estimated costs of decommissioning because of the long time frame over which future cash outflows are expected to occur. Amongst others, the estimated cash outflows related to the asset retirement obligation could alter significantly if, and when, political developments affect the government s plans to develop the Schacht Konrad . Another factor that might impact the estimated costs is the ruling about the life-span of the German nuclear reactors that may affect the timing of the intermediate and final storage of the radioactive waste and the demand for storage capacity. As of September 30, 2010 and 2009, the provision totals 1,004 and 780, respectively, and is recorded net of a present value discount of 1,924 and 1,163, respectively. The total expected payments for each of the next five fiscal years and the total thereafter are 30, 28, 29, 25, 25, and 2,791 which includes 2,412 for the estimated costs associated with final storage in 2033.

The Company recognizes the accretion of the provision for asset retirement obligations using the effective interest method applying current interest rates prevailing at the period-end date. In fiscal 2010 and 2009, the Company recognized 30 and 33, respectively in accretion expense in *Other Financial income (expense), net.* Changes in discount rates increased the carrying amount of provisions by 265 and 128 as of September 30, 2010 and 2009, respectively.

Other included approximately 1 billion in estimated fines in connection with ongoing settlement negotiations of legal matters with authorities in Germany and the U.S., provided for in fiscal 2008 and settled in fiscal 2009.

26. Other liabilities

	September 30,	
	2010	**2009**
Employee related liabilities	685	815
Deferred income	274	194
Other	1,321	1,013
	2,280	2,022

27. Equity

Common stock

Siemens common stock is composed of no par value shares with a notional value of   3.00 per share. Each share of common stock is entitled to one vote.

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The following table provides a summary of outstanding capital and the changes in authorized and conditional capital for fiscal years 2010, 2009 and 2008:

	Common stock (authorized and issued)		Authorized capital (not issued)		Conditional capital (not issued)	
	in thousands of	in thousand shares	in thousands of	in thousand shares	in thousands of	in thousand shares
As of September 30, 2007	2,742,610	914,203	671,130	223,710	860,002(1)	286,667(1)
As of September 30, 2008	2,742,610	914,203	671,130	223,710	860,002(1)	286,667(1)
Expired capital			(600,000)	(200,000)	(702,485)	(234,161)
Newly approved capital			520,800	173,600	600,000	200,000
As of September 30, 2009	2,742,610	914,203	591,930	197,310	757,517(1)	252,506(1)
Expired or cancelled capital					(600,000)	(200,000)
Newly approved capital					600,000	200,000
As of September 30, 2010	2,742,610	914,203	591,930	197,310	757,517(1)	252,506(1)

(1) *Due to rounding, amounts presented may not add up precisely.*

Authorized capital (not issued)

The Company s shareholders authorized the Managing Board, with the approval of the Supervisory Board, to increase capital stock through the issuance of no par value shares registered in the names of the holders and to determine the further content of the rights embodied in the shares and the terms and conditions of the share issue as follows:

a) Authorized Capital 2009 by up to 520.8 through the issuance of up to 173.6 million shares for contributions in cash and/or in kind (Authorized Capital 2009). The authorization was granted on January 27, 2009 and expires on January 26, 2014. It replaced Authorized Capital 2004 see c).

b) Authorized Capital 2006 by up to 75 through issuing up to 25 million shares for contributions in cash. The authorization was granted on January 26, 2006 and expires on January 25, 2011. As of September 30, 2010 and 2009, 71.1 representing 23.71 million shares are still available for issuance.

c) Authorized Capital 2004 expired on January 21, 2009. It granted the right to increase capital stock by up to 600 through issuing up to 200 million shares for contributions in cash and/or in kind.

Regarding Authorized Capital 2009 and 2004, with the approval of the Supervisory Board, the Managing Board can exclude shareholders pre-emptive rights for capital increases in the form of contributions in kind and in certain pre-stipulated circumstances for contributions in cash.

In accordance with Authorized Capital 2006 and Authorized Capital 2004, new shares can be issued solely to employees of Siemens AG and its subsidiaries (provided these subsidiaries are not listed companies themselves and do not have their own employee stock schemes). Pre-emptive rights of existing shareholders are excluded.

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Conditional capital (not issued)

Conditional Capital is provided for the purpose of a) serving the issuance of bonds with conversion rights and (or) with warrants, b) accommodating the exercise of stock option plans and c) settling claims of former Siemens Nixdorf Informationssysteme AG (SNI AG) shareholders.

a) Conditional Capital to service the issuance of bonds with conversion rights and/or with warrants in an aggregate principal amount of up to 15 billion, entitling the holders to subscribe to up to 200 million shares of Siemens AG with no par value, representing up to 600 of capital stock (Conditional Capital 2010). The authorization to issue such bonds was granted on January 26, 2010 and will expire on January 25, 2015. Conditional Capital 2010 replaced Conditional Capital 2009 see e).

b) Conditional Capital to service the 2001 and 1999 Siemens Stock Option Plans amounts to 157, representing 52.32 million shares of Siemens AG as of September 30, 2010 and 2009. Of the 157 Conditional capital, 147, representing 49 million shares, is reserved to solely service the 2001 Siemens Stock Option Plan and 10, representing 3.32 million shares, services both the 2001 and 1999 Siemens Stock Option Plans. The last tranche of stock options expires in November 2010 and from that date on, no further shares are to be issued see Note 34 for further information on stock options.

c) Conditional Capital provided to issue shares to settle claims offered to former SNI AG shareholders who had not tendered their SNI AG share certificates amounts to 0.6, representing 189 thousand shares as of September 30, 2010 and 2009. Such rights to claim Siemens shares expired in 2007 and no further shares are to be issued.

d) Conditional Capital 2004 expired on January 21, 2009. It was provided to service the issuance of bonds with conversion rights and (or) with warrants and amounted to 702 representing 234.2 million shares of Siemens AG as of September 30, 2008. The Company s shareholders authorized the Managing Board in fiscal 2004, to issue bonds in an aggregate principal amount of up to 11,250 with conversion rights (convertible bonds) or with warrants.

e) Conditional Capital 2009 was replaced by Conditional Capital 2010, see a). It was provided to service the issuance of bonds with conversion rights and/or with warrants and amounted to 600 representing 200 million shares.

Treasury stock

The Company is authorized by its shareholders to acquire up to 91,420,342 Siemens shares. The authorization became effective on March 1, 2010 and remains in force through July 25, 2011. The previous authorization to acquire up to 91,420,342 Siemens shares was superseded as of the effective date of the new resolution. The previous authorization was adopted on January 27, 2009 and valid until July 26, 2010. According to the current resolution, repurchased shares may be (i) sold via a stock exchange or through a public sales offer made to all shareholders; (ii) retired, (iii) used to meet the obligations under the 2001 Siemens Stock Option Plan (iv) offered for purchase to individuals currently or formerly employed by the Company or any of its subsidiaries or granted and transferred to such individuals with a holding period of at least two years; (v) offered and transferred with the approval of the Supervisory Board to third parties against contributions in kind, particularly in connection with business combinations or the acquisition of companies or interests therein; (vi) with the approval of the Supervisory Board sold to third parties against payment in cash if the price (excluding incidental transaction costs) at which such Siemens shares are to be sold is not significantly lower than the market price of the Siemens stock on the trading day, as determined during the opening auction of the Xetra trading platform (or a comparable successor system); or (vii) used to service convertible bonds or warrants granted by the Company or any of its subsidiaries. In addition, the Supervisory Board is authorized to offer repurchased shares to the members of the Managing Board of the Company

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for purchase as stock-based compensation under the same terms and conditions as those offered to employees of the Company or to grant and transfer such shares to members of the Managing Board with a holding period of at least two years.

The authorization to acquire up to 91,420,342 Siemens shares is supplemented by an authorization to repurchase up to half of those shares by using equity derivatives, such as put and call options and a combination of put and call options. As in fiscal 2008 and 2009, the term of such options must be chosen in a way that any repurchase of the Company s own shares upon the exercise of the option will take place no later than on the expiration date of the supplemented authorization.

In November 2007, the Company announced a share buy back program. Under the program, the Company originally expected to conduct share repurchases with a total volume of up to 10 billion by 2010 for the purpose of cancellation and reduction of capital stock and, to a lesser extent, to fulfill obligations arising out of stock based compensation programs. As of September 30, 2010, 56,201,421 Treasury shares amounting to 4,350 have been repurchased.

In fiscal 2010, 3,411,245 Treasury Shares were re-issued in connection with share-based payment plans. As of September 30, 2010, 44,366,416 shares remained in treasury with a carrying amount of 3,373.

In fiscal 2009, 189 shares were re-deposited to the Company s Treasury Stock and 4,868,193 of Treasury Shares were re-issued in connection with share-based payment plans. As of September 30, 2009, 47,777,661 shares remained in treasury with a carrying amount of 3,632.

In fiscal 2008, the Company repurchased a total of 56,201,421 shares at an average price of 77.41 per share. In fiscal 2008, a total of 3,556,139 shares of treasury stock were sold. Thereof, 2,829,239 shares were issued to share-based compensation plan participants to accommodate the exercise of stock options and 720,292 shares were issued to employees under the employee share purchase program with compensation character, see Note 34 for additional information. As of September 30, 2008, 52,645,665 shares remained in treasury with a carrying amount of 4,002.

Other Comprehensive Income

The changes in the other comprehensive income including non-controlling interest holders are as follows:

	Year ended September 30, 2010			**Year ended September 30, 2009**			**Year ended September 30, 2008**		
	Pretax	**Tax effect**	**Net**	**Pretax**	**Tax effect**	**Net**	**Pretax**	**Tax effect**	**Net**
Unrealized holding gains (losses) on available-for-sale financial assets	*41*	*(4)*	*37*	*46*	*(8)*	*38*	*(135)*	*10*	*(125)*
	(24)	*6*	*(18)*	*44*	*(10)*	*34*	*1*	*2*	*3*

Reclassification adjustments for (gains) losses included in net income									
Net unrealized gains (losses) on available-for-sale financial assets	17	2	19	90	(18)	72	(134)	12	(122)
Unrealized gains (losses) on derivative financial instruments	*(163)*	*39*	*(124)*	*335*	*(101)*	*234*	*(124)*	*33*	*(91)*
Reclassification adjustments for (gains) losses included in net income	*(36)*	*11*	*(25)*	*138*	*(43)*	*95*	*(212)*	*66*	*(146)*
Net unrealized gains (losses) on derivative financial instruments	(199)	50	(149)	473	(144)	329	(336)	99	(237)
Foreign-currency translation differences	1,220		1,220	(506)		(506)	(313)		(313)
Actuarial gains and losses on pension plans and similar commitments	(2,889)	835	(2,054)	(1,692)	443	(1,249)	(1,721)	2	(1,719)
Other comprehensive income	**(1,851)**	**887**	**(964)**	**(1,635)**	**281**	**(1,354)**	**(2,504)**	**113**	**(2,391)**

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Foreign currency translation differences are primarily a result of the strengthening of the U.S. $ in fiscal 2010. Actuarial gains and losses on pension plans and similar commitments primarily changed in fiscal 2010 due to an adjustment of the discount rate and due to actual returns varying from expected returns; see Note 24 for further information.

Miscellaneous

Under the German Stock Corporation Act *(Aktiengesetz)*, the amount of dividends available for distribution to shareholders is based upon the earnings of Siemens AG as reported in its statutory financial statements determined in accordance with the German Commercial Code *(Handelsgesetzbuch)*. In fiscal 2010, Siemens AG management distributed an ordinary dividend of 1,388 (1.60 per share) of the fiscal 2009 earnings to its shareholders. In fiscal 2009 and 2008, Siemens AG management distributed 1,380 (1.60 per share) of the fiscal 2008 earnings and 1,462 (1.60 per share) of the fiscal 2007 earnings, respectively, to its shareholders.

The Managing Board proposed a dividend of 2.70 per share of the fiscal 2010 Siemens AG earnings, in total representing approximately 2.4 billion in expected payments. Payment of the proposed dividend is contingent upon approval by the shareholders at the Annual Shareholders Meeting on January 25, 2011.

28. Additional capital disclosures

As of September 30, 2010 and 2009, our capital structure was as follows:

	September 30,		
	2010	**2009**	**% Change**
Total equity attributable to shareholders of Siemens AG	**28,346**	**26,646**	**6.4%**
As percentage of total capital	59%	58%	
Short-term debt	2,416	698	
Long-term debt	17,497	18,940	
Total debt	**19,913**	**19,638**	**1.4%**
As percentage of total capital	41%	42%	
Total capital (total debt, as stated above, and total equity)	**48,259**	**46,284**	**4.3%**

In fiscal 2010, total equity attributable to shareholders of Siemens AG increased by 6 percent compared to fiscal 2009. Total debt increased by 1 percent in fiscal 2010, resulting in an increase in total equity as a percentage of total capital to 59 percent compared to 58 percent in fiscal 2009. Accordingly, total debt as a percentage of total capital decreased to 41 percent from 42 percent in the prior year. For further information on changes in total equity see Note 27 and on issuance and repayment of debt see Note 23.

Siemens has commitments to sell or otherwise issue common shares in connection with share-based compensation plans. In fiscal 2010, commitments arising from share-based compensation were met by re-issuing treasury shares. In fiscal 2011, we may again fulfill our commitments arising from share-based compensation by re-issuing treasury shares. For additional information on share-based compensation see Note 34 and on treasury shares see Note 27.

As part of our $Fit_4$2010 program, we decided to improve our capital structure. A key consideration in this regard is to maintain ready access to capital markets through various debt products and to preserve our ability to repay and service our debt obligations over time. Siemens therefore set itself a capital structure goal defined as *Adjusted industrial net debt* divided by *adjusted EBITDA*. The calculation of *Adjusted industrial net debt* is set forth in the table below. *Adjusted EBITDA* is defined as adjusted *earnings before income taxes* (EBIT) before amortization (defined as amortization and impairments of intangible assets other than goodwill) and depreciation

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and impairments of property, plant and equipment and goodwill. Adjusted EBIT is defined as *Income from continuing operations* before income taxes less *interest income (expense)*, less *Other financial income (expense), net* as well as less *Income (loss) from investments accounted for using the equity method, net*.

As a step towards achieving the target range (0.8 to 1.0), we implemented our previously announced share buyback plan for up to 10 billion in share repurchases through 2010, see Note 27. In fiscal 2010 and 2009, no shares were repurchased under this program.

	September 30,	
	2010	**2009**
	(in millions of)	
Short term debt	2,416	698
Plus: Long term debt[(1)]	17,497	18,940
Less: Cash and cash equivalents	(14,108)	(10,159)
Less: Current available-for-sale financial assets	(246)	(170)
Net debt	**5,560**	**9,309**
Less: SFS debt	(10,028)	(9,521)
Plus: Funded status principal pension benefit plans	6,357	4,015
Plus: Funded status principal other post employment benefit plans	738	646
Plus: Credit guarantees	597	313
Less: 50% nominal amount hybrid bond[(2)]	(886)	(862)
Less: Fair value hedge accounting adjustment[(3)]	(1,518)	(1,027)
Adjusted industrial net debt	**819**	**2,873**
Adjusted EBITDA (continuing operations)	**10,034**	**9,219**
Adjusted industrial net debt / adjusted EBITDA (continuing operations)	**0.08**	**0.31**

(1) Long term debt including fair value hedge accounting adjustment of 1,518 and 1,027 for the fiscal year ended September 30, 2010 and 2009, respectively.

(2) The adjustment for our hybrid bond considers the calculation of this financial ratio applied by rating agencies to classify 50 percent of our hybrid bond as equity and 50 percent as debt. This assignment follows the characteristics of our hybrid bond such as a long maturity date and subordination to all senior and debt obligations.

(3)

Debt is generally reported with a value representing approximately the amount to be repaid. However for debt designated in a hedging relationship (fair value hedges), this amount is adjusted by changes in market value mainly due to changes in interest rates. Accordingly we deduct these changes in market value in order to end up with an amount of debt that approximately will be repaid, which we believe is a more meaningful figure for the calculation presented above.

A key factor in maintaining a strong financial profile is our credit rating which is affected by capital structure, profitability, ability to generate cash flow, geographic and product diversification as well as our competitive market position, among other factors. Our current corporate credit ratings from Moody s Investors Service and Standard & Poor s are noted below:

	September 30, 2010		September 30, 2009	
	Moody s Investors Service	**Standard & Poor s**	**Moody s Investors Service**	**Standard & Poor s**
Long-term debt	A1	A+	A1	A+
Short-term debt	P-1	A-1	P-1	A-1

In fiscal 2010, Moody s Investors Service made no rating changes. Moody s applied a long-term credit rating of A1, outlook stable, on November 9, 2007. The rating classification A is the third highest rating within the agency s debt ratings category. The numerical modifier 1 indicates that our long-term debt ranks in the higher end of

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the A category. The Moody s rating outlook is an opinion regarding the likely direction of an issuer s rating over the medium-term. Rating outlooks fall into the following six categories: positive, negative, stable, developing, ratings under review and no outlook.

Moody s Investors Service s rating for our short-term corporate credit and commercial paper is P-1, the highest available rating in the prime rating system, which assesses issuers ability to honor senior financial obligations and contracts. It applies to senior unsecured obligations with an original maturity of less than one year.

In addition, Moody s Investors Service publishes credit opinions relating to Siemens. The most recent credit opinion as of June 3, 2010 classified the liquidity profile as very healthy.

In fiscal 2010 Standard & Poor s made no changes in Siemens credit ratings. Standard & Poor s applied a long-term credit rating of A+, outlook stable, on June 5, 2009. Within Standard & Poor s ratings definitions an obligation rated A has the third highest long-term rating category. The modifier + indicates that our long-term debt ranks in the upper end of the A category. The Standard & Poor s rating outlook assesses the potential direction of a long-term credit rating over the medium-term. Rating outlooks fall into the following four categories: positive, negative, stable and developing . On June 5, 2009, Standard & Poor s assigned A-1 for our corporate short-term credit rating. This is the second highest short-term rating within the S&P rating scale.

29. Commitments and contingencies

Guarantees and other commitments

The following table presents the undiscounted amount of maximum potential future payments for each major group of guarantee:

	September 30, 2010	September 30, 2009
Guarantees		
Credit guarantees	597	313
Guarantees of third-party performance	1,093	1,092
HERKULES obligations	3,090	3,490
Other	3,216	2,703
	7,996	7,598

Credit guarantees cover the financial obligations of third parties in cases where Siemens is the vendor and/or contractual partner. These guarantees generally provide that in the event of default or non-payment by the primary debtor, Siemens will be required to settle such financial obligations. In addition, Siemens provides credit guarantees generally as credit-line guarantees with variable utilization to joint ventures and associated and other companies, see Note 19 and 39. The maximum amount of these guarantees is subject to the outstanding balance of the credit or, in case where a credit line is subject to variable utilization, the nominal amount of the credit line. These guarantees usually have terms of between one and five years. Except for statutory recourse provisions against the primary debtor, credit guarantees are generally not subject to additional contractual recourse provisions. As of September 30, 2010 and 2009, the Company accrued 55 and 11, respectively, relating to credit guarantees.

Furthermore, Siemens issues ***Guarantees of third-party performance***, which include performance bonds and guarantees of advanced payments in cases where Siemens is the general or subsidiary partner in a consortium. In the event of non-fulfillment of contractual obligations by the consortium partner(s), Siemens will be required to pay up to an agreed-upon maximum amount. These agreements span the term of the contract, typically ranging from three months to seven years. Generally, consortium agreements provide for fallback guarantees as a recourse provision

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among the consortium partners. As of September 30, 2010 and 2009, the Company accrued 70 and 50, respectively, relating to performance guarantees.

In fiscal 2007, The Federal Republic of Germany commissioned a consortium consisting of Siemens IT Solutions and Services and IBM Deutschland GmbH (IBM) to modernize and operate the non-military information and communications technology of the German Federal Armed Forces (Bundeswehr). This project is called HERKULES. A project company, BWI Informationstechnik GmbH (BWI), will provide the services required by the terms of the contract. Siemens IT Solutions and Services is a shareholder in the project company. The total contract value amounts to a maximum of approximately 6 billion. In connection with the consortium and execution of the contract between BWI and the Federal Republic of Germany in December 2006, Siemens issued several guarantees connected to each other legally and economically in favor of the Federal Republic of Germany and of the consortium member IBM. The guarantees ensure that BWI has sufficient resources to provide the required services and to fulfill its contractual obligations. These guarantees are listed as a separate item *HERKULES obligations* in the table above due to their compound and multilayer nature. Total future payments potentially required by Siemens amount to 3.09 and 3.49 billion as of September 30, 2010 and 2009, respectively and will be reduced by approximately 400 per year over the remaining 7-year contract period as of September 30, 2010. Yearly payments under these guarantees are limited to 400 plus, if applicable, a maximum of 90 in unused guarantees carried forward from the prior year.

Other includes indemnifications issued in connection with dispositions of business entities. Such indemnifications, if customary to the relevant transactions, may protect the buyer from any potential tax, legal and other risks in conjunction with the purchased business entity. Indemnifications primarily relate to NSN, disposed of in fiscal 2007, as well as to EN, disposed of in fiscal 2008, respectively, see Note 4. As of September 30, 2010 and 2009, the total amount accrued for guarantees in *Other* is 162 and 211, respectively.

As of September 30, 2010 and 2009, future payment obligations under non-cancellable operating leases are as follows:

	September 30,	
	2010	**2009**
2010		692
2011	721	516
2012	552	378
2013	417	290
2014	331	240
2015	281	
After 2015 in fiscal 2010 (after 2014 in fiscal 2009)	824	682

Total operating rental expense for the years ended September 30, 2010, 2009 and 2008 was 1,162, 1,198 and 954, respectively.

As of September 30, 2010 and 2009, the Company has commitments to make capital contributions to the equity of various companies of 470 and 294, respectively. The September 30, 2010 and 2009 balance, includes a conditional commitment to make capital contributions to EN of 172, representing our proportionate share in EN. The committed amount is due upon EN making acquisitions or investments.

The Company is jointly and severally liable and has capital contribution obligations as a partner in commercial partnerships and as a participant in various consortiums.

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30. Legal Proceedings

Public corruption proceedings

Governmental and related proceedings

Public prosecutors and other government authorities in jurisdictions around the world are conducting investigations of Siemens and certain of our current and former employees regarding allegations of public corruption, including criminal breaches of fiduciary duty such as embezzlement, as well as bribery, money laundering and tax evasion, among others. These investigations involve allegations of corruption at a number of Siemens business units.

On December 15, 2008, Siemens announced that legal proceedings against it arising from allegations of bribing public officials were concluded on the same day in Munich, Germany, and in Washington, DC. The Munich public prosecutor announced the termination of legal proceedings alleging the failure of the former Managing Board of Siemens AG to fulfill its supervisory duties. The investigations of former members of the Managing Board, employees of the Company and other individuals remain unaffected by this resolution. In Washington, DC, Siemens pleaded guilty in federal court to criminal charges of knowingly circumventing and failing to maintain adequate internal controls and failing to comply with the books and records provisions of the U.S. Foreign Corrupt Practices Act (FCPA). In related cases, three Siemens foreign subsidiaries, Siemens S.A. (Argentina), Siemens Bangladesh Ltd. and Siemens S.A. (Venezuela), pleaded guilty to individual counts of conspiracy to violate the FCPA. At the same time, Siemens settled a civil action against it brought by the U.S. Securities and Exchange Commission (SEC) for violations of the FCPA. The agreement reflects the U.S. prosecutors express recognition of Siemens extraordinary cooperation as well as Siemens new and comprehensive compliance program and extensive remediation efforts. Based on these facts, the lead agency for U.S. federal government contracts, the Defense Logistics Agency, issued a formal determination that Siemens remains a responsible contractor for U.S. government business.

Under the terms of the plea and settlement agreements reached in the United States, Siemens has engaged Dr. Theo Waigel, former German federal minister of finance, as compliance monitor to evaluate and report, for a period of up to four years, on the Company s progress in implementing and operating its new compliance program.

In the fourth quarter of fiscal 2008, the Company accrued a provision in the amount of approximately 1 billion in connection with the discussions with the Munich public prosecutor, the SEC and the United States Department of Justice for the purpose of resolving their respective investigations. Cash outflows relating to the fines and disgorgements referred to above during the first quarter of fiscal 2009 amounted to 1.008 billion.

As previously reported, in October 2007, the Munich public prosecutor terminated a similar investigation relating to Siemens former Communications Group. Siemens paid 201 in connection with the termination of this investigation. This brings the total amount paid to authorities in Germany in connection with these legal proceedings to 596.

As previously reported, the public prosecutor in Wuppertal, Germany, is conducting an investigation against Siemens employees regarding allegations that they participated in bribery related to the awarding of an EU contract for the refurbishment of a power plant in Serbia in 2002. In April 2010, the public prosecutor discontinued the investigation.

As previously reported, Siemens Zrt. Hungary and certain of its employees are being investigated by Hungarian authorities in connection with allegations concerning suspicious payments in connection with consulting agreements with a variety of shell corporations and bribery relating to the awarding of a contract for the delivery of communication equipment to the Hungarian Armed Forces.

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As previously reported, the Vienna, Austria, public prosecutor is conducting an investigation into payments between 1999 and 2006 relating to Siemens AG Austria and its subsidiary Siemens VAI Metal Technologies GmbH & Co. for which valid consideration could not be identified.

As previously reported, authorities in Russia are conducting an investigation into alleged misappropriation of public funds in connection with the award of contracts to Siemens for the delivery of medical equipment to public authorities in Yekaterinburg in the years 2003 to 2005. Siemens is cooperating with the authorities.

As previously reported, in August 2007, the Nuremberg-Fuerth public prosecutor began an investigation into possible violations of law in connection with the United Nations Oil-for-Food Programme. In December 2008, the public prosecutor discontinued the investigation with respect to all persons accused.

As previously reported, the Sao Paulo, Brazil, public prosecutor conducted certain investigations of Siemens relating to the use of business consultants and suspicious payments in connection with the former Transportation Systems Group in or after 2000. In 2009, the authority discontinued the investigation.

On March 9, 2009, Siemens AG received a decision by the Vendor Review Committee of the United Nations Secretariat Procurement Division (UNPD) suspending Siemens AG from the UNPD vendor database for a minimum period of six months. The suspension applies to contracts with the UN Secretariat and stems from Siemens AG s guilty plea in December 2008 to violations of the U.S. Foreign Corrupt Practices Act. Siemens AG does not expect a significant impact on its business, results of operations or financial condition from this decision. On December 22, 2009, Siemens AG filed a request to lift the existing suspension to which it has not yet received a response.

In April 2009, Siemens AG received a Notice of Commencement of Administrative Proceedings and Recommendations of the Evaluation and Suspension Officer from the World Bank, which comprises the International Bank for Reconstruction and Development as well as the International Development Association, in connection with allegations of sanctionable practices during the period 2004-2006 relating to a World Bank-financed project in Russia. On July 2, 2009, the Company entered into a global settlement agreement with the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation and the Multilateral Investment Guarantee Agency (collectively, the World Bank Group) to resolve World Bank Group investigations involving allegations of corruption by Siemens. In the agreement, Siemens voluntarily undertakes to refrain from bidding in connection with any project, program, or other investment financed or guaranteed by the World Bank Group (Bank Group Projects) for a period of two years, commencing on January 1, 2009 and ending on December 31, 2010. Siemens is not prohibited by the voluntary restraint from continuing work on existing contracts under Bank Group Projects or concluded in connection with World Bank Group corporate procurement provided such contracts were signed by Siemens and all other parties thereto prior to January 1, 2009. The agreement provides for exemptions to the voluntary restraint in exceptional circumstances upon approval of the World Bank Group. Siemens also had to withdraw all pending bids, including proposals for consulting contracts, in connection with Bank Group Projects and World Bank Group corporate procurement where the World Bank Group has not provided its approval prior to July 2, 2009. Furthermore, Siemens is also required to voluntarily disclose to the World Bank Group any potential misconduct in connection with any Bank Group Projects. Finally, Siemens has undertaken to pay U.S.$100 million to agreed anti-corruption organizations over a period of not more than 15 years. In fiscal 2009, the Company took a charge to Other operating expense to accrue a provision in the amount of 53 relating to the global settlement agreement with the World Bank Group. In November 2009, Siemens Russia OOO and all its controlled subsidiaries were, in a separate proceeding before the World Bank Group, debarred for four years from participating in Bank Group Projects. Siemens Russia OOO did not contest the debarment.

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As previously reported, the Norwegian anti-corruption unit, Oekokrim, conducted an investigation against Siemens AS Norway and two of its former employees related to payments made for golf trips in 2003 and 2004, which were attended by members of the Norwegian Department of Defense. On July 3, 2009, the trial court in Oslo, Norway, found the two former employees not guilty. Oekokrim stated on July 16, 2009, that the proceedings against Siemens AS Norway have also been discontinued.

In November 2009 and in February 2010, a subsidiary of Siemens AG voluntarily self-reported possible violations of South African anti-corruption regulations in the period before 2007 to the responsible South African authorities.

As previously reported, the public prosecutor in Milan, Italy, had filed charges against a current and a former employee of Siemens S.p.A., Siemens S.p.A., and one of its subsidiaries in November 2007, alleging that the two individuals made illegal payments to employees of the state-owned gas and power group ENI. Charges were also filed against other individuals and companies not affiliated with Siemens. The two individuals, Siemens S.p.A., and its subsidiary entered into a *patteggiamento* (plea bargaining agreement without the recognition of any guilt or responsibility) with the Milan public prosecutor which was confirmed by the Milan court on April 27, 2009. Under the terms of the patteggiamento, Siemens S.p.A. and the subsidiary were each fined 40.0 thousand and ordered to disgorge profits in the amount of 315.562 thousand and 502.370 thousand, respectively. The individuals accepted suspended prison sentences. The decision is final and the proceedings are closed.

As previously reported, the Argentinean Anti-Corruption Authority is conducting an investigation into corruption of government officials in connection with the award of a contract to Siemens in 1998 for the development and operation of a system for the production of identity cards, border control, collection of data and voters registers. Searches were undertaken at the premises of Siemens Argentina and Siemens IT Services S.A. in Buenos Aires in August 2008 and in February 2009. The Company is cooperating with the Argentinean Authorities. The Argentinean investigative judge also requested judicial assistance from the Munich public prosecutor and the federal court in New York repeatedly.

On August 17, 2009, the Anti-Corruption Commission of Bangladesh (ACC) filed criminal charges against two current and one former employee of Siemens Bangladesh s Healthcare business. It is alleged that the employees colluded with employees of a public hospital to overcharge for the delivery of medical equipment in the period before 2007.

On December 30, 2009, the ACC sent a request for information to Siemens Bangladesh Ltd. (Siemens Bangladesh) related to telecommunications projects of Siemens former Communications (Com) Group undertaken prior to 2007. On January 4, 2010, Siemens Bangladesh was informed that in a related move the Anti Money Laundering Department of the Central Bank of Bangladesh is conducting a special investigation into certain accounts of Siemens Bangladesh and of former employees of Siemens Bangladesh in connection with transactions for Com projects undertaken in the period from 2002 to 2006. On February 16, 2010, the ACC sent a request for additional information.

On June 23, 2010, the Frankfurt public prosecutor searched premises of Siemens in Germany in response to allegations of questionable payments relating to an Industry project in Thailand. Siemens is cooperating with the authority.

In August 2010, the Inter-American Development Bank (IADB) issued a notice of administrative proceedings against, among others, Siemens IT Solutions and Services Argentina alleging fraudulent misstatements and antitrust violations in connection with a public invitation to tender for a project in the province of Cordoba, Argentina, in 2003. Siemens is cooperating with the IADB.

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Also in August 2010, the IADB issued a notice of administrative proceedings against, among others, Siemens Venezuela alleging fraudulent misstatements and public corruption in connection with a public invitation to tender for healthcare projects in the Venezuelan provinces of Anzoategui and Merida in 2003. Siemens is cooperating with the IADB.

As previously reported, in February 2010 a Greek Parliamentary Investigation Committee (GPIC) was established to investigate whether any politicians or other state officials in Greece were involved in alleged wrong-doing of Siemens in Greece. GPIC s investigation is focused on possible criminal liability of politicians and other state officials. Greek public prosecutors are separately investigating certain fraud and bribery allegations involving among others former board members and former executives of Siemens A.E. Greece (Siemens A.E.) and Siemens AG. Both investigations may have a negative impact on civil proceedings currently pending against Siemens AG and Siemens A.E. and may affect the future business activities of Siemens in Greece. In September 2010, the GPIC assumed in a preliminary estimate that the alleged damages suffered by the Greek state from contracts signed with Siemens might reach up to 2 billion. At present, it is unclear to Siemens what the basis of the alleged damages is or how the alleged amount of damages was computed.

As previously reported, the Nigerian Economic and Financial Crimes Commission (EFCC) was conducting an investigation into alleged illegal payments by Siemens to Nigerian public officials between 2002 and 2005. In October 2010, the EFCC filed charges with the Federal High Court in Abuja and the High Court of the Federal Capital Territory against among others Siemens Ltd. Nigeria (Siemens Nigeria), Siemens AG and former board members of Siemens Nigeria. On November 22, 2010, the Nigerian Government and Siemens Nigeria entered into an out of court settlement, obligating Siemens Nigeria to make a payment in the mid double-digit Euro million range to Nigeria in exchange for the Nigerian Government withdrawing these criminal charges and refraining from the initiation of any criminal, civil or other actions such as a debarment against Siemens Nigeria, Siemens AG, and Siemens employees.

The Company remains subject to corruption-related investigations in several jurisdictions around the world. As a result, additional criminal or civil sanctions could be brought against the Company itself or against certain of its employees in connection with possible violations of law. In addition, the scope of pending investigations may be expanded and new investigations commenced in connection with allegations of bribery and other illegal acts. The Company s operating activities, financial results and reputation may also be negatively affected, particularly as a result of penalties, fines, disgorgements, compensatory damages, third-party litigation, including with competitors, the formal or informal exclusion from public invitations to tender, or the loss of business licenses or permits. Additional expenses and provisions, which could be material, may need to be recorded in the future for penalties, fines, damages or other charges in connection with the investigations.

As previously reported, the Company is following up on evidence of bank accounts and the amounts of the funds deposited therein in various locations. Certain funds have been frozen by authorities. During fiscal 2010, the Company recognized an amount of 40 in *Other operating income* from the agreed recovery of funds from one of these accounts.

Civil litigation

As already disclosed by the Company in press releases, Siemens AG asserted claims for damages against former members of the Managing and Supervisory Board. The Company based its claims on breaches of organizational and supervisory duties in view of the accusations of illegal business practices that occurred in the course of international business transactions in the years 2003 to 2006 and the resulting financial burdens for the Company. On December 2, 2009 Siemens reached a settlement with nine out of eleven former members of the Managing and Supervisory Board. As required by law, the settlements between the Company and individual board members were subject to approval by the Annual Shareholders Meeting. The Company reached a settlement

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agreement with its directors and officers (D&O) insurers regarding claims in connection with the D&O insurance of up to 100. The Annual Shareholders Meeting approved all nine settlements between the Company and the former members of the Managing and Supervisory Board on January 26, 2010. The shareholders also agreed to the settlement with respect to claims under the D&O insurance. During the second quarter of fiscal 2010, Siemens AG received certain benefits as required under the aforementioned settlement agreements with the result that an amount of 96 net of related cost was recognized primarily in *Other operating income*. Thereof 84 resulted from the settlement agreement with the D&O insurers and 12 resulted from settlement agreements with former board members. The former board members used claims they had against the Company to offset a portion of their obligations under the aforementioned settlement agreements. The remaining amount was or will be settled by the former board members in cash. On January 25, 2010, Siemens AG filed a lawsuit with the Munich District Court I against the two former board members who were not willing to settle, Thomas Ganswindt and Heinz-Joachim Neubürger. The complaint was served upon the defendants. The defendants asked Siemens AG to produce certain documents.

As previously reported, an alleged holder of Siemens American Depositary Shares filed a derivative lawsuit in February 2007 with the Supreme Court of the State of New York against certain current and former members of Siemens Managing and Supervisory Boards as well as against Siemens as a nominal defendant, seeking various forms of relief relating to the allegations of corruption and related violations at Siemens. The alleged holder of Siemens American Depository Shares voluntarily withdrew the derivative action in September 2009.

As previously disclosed, in June 2008, the Republic of Iraq filed an action requesting unspecified damages against 93 named defendants with the United States District Court for the Southern District of New York on the basis of findings made in the Report of the Independent Inquiry Committee into the United Nations Oil-for-Food Programme. Siemens S.A.S. France, Siemens A. Ş. Turkey and OSRAM Middle East FZE, Dubai, are among the 93 named defendants. Process was served upon all three Siemens subsidiaries. The three Siemens subsidiaries will defend themselves against the action.

As previously reported, Siemens AG had filed a request for arbitration against the Republic of Argentina (Argentina) with the International Center for Settlement of Investment Disputes (ICSID) of the World Bank. Siemens AG claimed that Argentina had unlawfully terminated its contract with Siemens for the development and operation of a system for the production of identity cards, border control, collection of data and voters registers (DNI project) and thereby violated the Bilateral Investment Protection Treaty between Argentina and Germany (BIT). Siemens AG sought damages for expropriation and violation of the BIT of approximately U.S.$500 million. A unanimous decision on the merits was rendered by the ICSID arbitration tribunal on February 6, 2007, awarding Siemens AG compensation in the amount of U.S.$217.8 million, plus compound interest thereon at a rate of 2.66 percent since May 18, 2001. The tribunal also ruled that Argentina is obligated to indemnify Siemens AG against any claims of subcontractors in relation to the project (amounting to approximately U.S.$44 million) and, furthermore, that Argentina would be obligated to pay Siemens AG the full amount of the contract performance bond (U.S.$20 million) in the event this bond was not returned. The time period set by the tribunal for returning the contract performance bond subsequently elapsed without delivery. As previously reported, Argentina subsequently filed applications with the ICSID aiming at the annulment and reversal of the decision and a stay of enforcement of the arbitral award. On August 12, 2009, Argentina and Siemens AG reached an agreement to mutually settle the case and discontinue any and all civil proceedings in connection with the case without acknowledging any legal obligations or claims. No payment was made by either party.

As previously reported, Siemens has been approached by a competitor to discuss claims it believes it has against the Company. The alleged claims relate to allegedly improper payments by the Company in connection with the procurement of public and private contracts. Siemens is assessing whether any basis exists for such claims. Siemens and the competitor have engaged in discussions; the outcome of these discussions is open.

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As previously disclosed, a securities class action was filed in December 2009 against Siemens AG with the United States District Court for the Eastern District of New York seeking damages for alleged violations of U.S. securities laws. The Company is defending itself against the action.

Antitrust proceedings

As previously reported, in June 2007, the Turkish Antitrust Agency confirmed its earlier decision to impose a fine in an amount equivalent to 6 on Siemens A.S. Turkey based on alleged antitrust violations in the traffic lights market. Siemens A.S. Turkey has appealed this decision and this appeal is still pending.

As previously reported, in February 2007, the Norwegian Competition Authority launched an investigation into possible antitrust violations involving Norwegian companies active in the field of fire security, including Siemens Building Technologies AS. In December 2008, the Norwegian Competition Authority issued a final decision that Siemens Building Technologies AS had not violated antitrust regulations.

As previously reported, in February 2007, the European Commission launched an investigation into possible antitrust violations involving European producers of power transformers, including Siemens AG and VA Technologie AG (VA Tech), which Siemens acquired in July 2005. The German Antitrust Authority (*Bundeskartellamt*) has become involved in the proceeding and is responsible for investigating those allegations that relate to the German market. Power transformers are electrical equipment used as major components in electric transmission systems in order to adapt voltages. The Company is cooperating in the ongoing investigation with the European Commission and the German Antitrust Authority. On October 7, 2009, the European Commission imposed fines totaling 67.644 on seven companies with regard to a territorial market sharing agreement related to Japan and Europe. Siemens was not fined because it had voluntarily disclosed this aspect of the case to the authorities. The German Antitrust Authority continues its investigation with regard to the German market.

As previously reported, in April 2007, Siemens AG and VA Tech filed actions before the European Court of First Instance in Luxemburg against the decisions of the European Commission dated January 24, 2007, to fine Siemens and VA Tech for alleged antitrust violations in the European Market of high-voltage gas-insulated switchgear between 1988 and 2004. Gas-insulated switchgear is electrical equipment used as a major component for turnkey power substations. The fine imposed on Siemens amounted to 396.6 and was paid by the Company in 2007. The fine imposed on VA Tech, which Siemens AG acquired in July 2005, amounted to 22.1. VA Tech was declared jointly liable with Schneider Electric for a separate fine of 4.5. The European Court of First Instance has not yet issued a decision. In addition to the proceedings mentioned in this document, authorities in Brazil, the Czech Republic and Slovakia are conducting investigations into comparable possible antitrust violations. In October 2010, the High Court of New Zealand dismissed corresponding charges against Siemens. The decision is still appealable.

As previously reported, on October 25, 2007, upon the Company s appeal, a Hungarian competition court reduced administrative fines imposed on Siemens AG for alleged antitrust violations in the market of high-voltage gas-insulated switchgear from 0.320 to 0.120 and from 0.640 to 0.110 regarding VA Technologie AG. The Company and the Competition Authority both appealed the decision. In November 2008, the Court of Appeal confirmed the reduction of the fines. On December 5, 2008, the Competition Authority filed an extraordinary appeal with the Supreme Court. In December 2009, Siemens AG was notified that the Supreme Court had remanded the case to the Court of Appeal, with instructions to take a new decision on the amount of the fines. The extraordinary appeal from the Competition Authority was rejected with legally binding effect by the Court of Appeal on January 27, 2010. On April 6, 2010, the Competition Authority filed another extraordinary appeal with the Supreme Court.

In connection with the January 24, 2007 decision of the European Commission regarding alleged antitrust violations in the high-voltage gas-insulated switchgear market, claims are being made against Siemens. Among

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others, a claim was filed by National Grid Electricity Transmission Plc. (National Grid) with the High Court of England and Wales in November 2008. Twenty-one companies have been named as defendants, including Siemens AG and various of its subsidiaries. National Grid asserts claims in the aggregate amount of approximately £249 million for damages and compound interest. Siemens believes National Grid s claim to be without merit. As discussed, the European Commission s decision has been appealed to the European Court of First Instance. On June 12, 2009, the High Court granted a stay of the proceedings pending before it until three months after the outcome of the appeal to the European Court of First Instance and any subsequent appeals to the European Court of Justice. On June 26, 2009, the Siemens defendants filed their answers to the complaint and requested National Grid s claim to be rejected. Discovery is ongoing.

As previously reported, the South African Competition Commission investigated alleged antitrust violations in the market of high-voltage gas-isolated switchgear. In May 2009, the Company was notified that the Competition Commission will not pursue the prosecution of this matter.

As previously reported, a suit and motion for approval of a class action was filed in Israel in December 2007 to commence a class action based on the fines imposed by the European Commission for alleged antitrust violations in the high-voltage gas-insulated switchgear market. Thirteen companies were named as defendants in the suit and motion, among them Siemens AG Germany, Siemens AG Austria and Siemens Israel Ltd. The class action alleged damages to electricity consumers in Israel in the amount of approximately 575 related to higher electricity prices claimed to have been paid because of the alleged antitrust violations. At a hearing on December 11, 2008, the plaintiff requested to withdraw from the action and from the motion to certify the action as a class action. The court approved the request and dismissed the action and the motion to certify.

In January 2010, the European Commission launched an investigation related to previously reported investigations into potential antitrust violations involving producers of flexible current transmission systems in New Zealand and the USA including, among others, Siemens AG. In April 2010, authorities in Korea and Mexico informed the Company that similar proceedings had been initiated. Siemens AG is cooperating with the authorities. On June 1, 2010, the New Zealand Commerce Commission notified Siemens AG that their investigation had been closed. On September 13, 2010, the European Commission notified Siemens AG that their investigation had been closed. On November 17, 2010, the Korean antitrust authority notified Siemens AG that their investigation had been closed.

On February 11, 2010, the Italian Antitrust Authority searched the premises of several healthcare companies, including Siemens Healthcare Diagnostics S.r.l. and Siemens S.p.A., in response to allegations of anti-competitive agreements relating to a 2009 public tender process for the supply of medical equipment to the procurement entity for the public healthcare sector in the Italian region of Campania, So.Re.Sa. Siemens is cooperating with the authority.

Other proceedings

As previously reported, starting in December 2006, the Company and Qisda Corp. (formerly named BenQ Corp.), a Taiwanese company, were parties in an arbitration proceeding before the International Chamber of Commerce (ICC) relating to the purchase by Qisda of the Company s mobile devices business in 2005. The parties subsequently resolved their disputes and, upon joint request of the parties, the ICC issued an Award by Consent in March 2009.

On November 25, 2008, Siemens AG and the insolvency administration of BenQ Mobile GmbH & Co. OHG announced that they had reached a settlement after constructive discussions that began in 2006. In the settlement agreement, Siemens AG agreed to a gross payment of 300, which was made in December 2008. However, ultimately, the settlement is expected to result in a total net payment of approximately 255 after taking into account

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the claims against the debtor s estate, which were filed by Siemens AG and acknowledged by the insolvency administrator. Since Siemens AG had made sufficient provisions for the expected settlement, the settlement did not have a material negative impact on Siemens AG s results of operations for fiscal 2009.

As previously reported, Siemens AG is a member of a supplier consortium that has contracted to construct the nuclear power plant Olkiluoto 3 in Finland for Teollisuuden Voima Oyj (TVO) on a turnkey basis. Siemens AG s share of the consideration to be paid to the supplier consortium under the contract is approximately 27 percent. The other member of the supplier consortium is a further consortium consisting of Areva NP S.A.S. and its wholly-owned subsidiary, Areva NP GmbH. The agreed completion date for the nuclear power plant was April 30, 2009. Completion of the power plant has been delayed for reasons which are in dispute. In December 2008, the supplier consortium filed a request for arbitration against TVO demanding an extension of the construction time, additional compensation and damages in the amount of now approximately 1.23 billion. TVO rejected the demand for an extension of time and made counterclaims against the supplier consortium. These consist primarily of damages due to the delay, claimed to amount to approximately 1.43 billion based on estimated completion of the plant in June 2012 with a delay of 38 months. Assuming the full cooperation of all parties involved, nuclear fuel is expected to be loaded into the reactor at the end of 2012 commencing the commissioning phase of the overall plant. This testing phase will last several months. As of today, completion is expected to occur by the end of the 2013 calendar year.

In early 2009 Siemens AG terminated its joint venture with Areva S.A. (Areva). Thereafter Siemens AG entered into negotiations with the State Atomic Energy Corporation Rosatom (Rosatom) with a view to forming a new partnership active in the construction of nuclear power plants, in which it would be a minority shareholder. In April 2009, Areva filed a request for arbitration with the ICC against Siemens AG. Areva seeks an order enjoining Siemens AG from pursuing such negotiations with Rosatom, a declaration that Siemens AG is in material breach of its contractual obligations, a reduction of the price payable to Siemens AG for its stake in the Areva NP S.A.S. joint venture and damages in an amount to be ascertained. Siemens AG filed its answer in June 2009, primarily seeking a dismissal of Areva s claims and a price increase. The arbitral tribunal has been constituted and the main proceedings have commenced. On November 17, 2009, the arbitral tribunal issued an interim order which imposes certain provisional restrictions on Siemens AG with respect to the negotiation process and the planned partnership with Rosatom; the order does not preclude Siemens AG from continuing its discussions with Rosatom during the arbitration. In its last submissions Areva did not uphold its request for damages. In September 2010 the hearing on the merits was held. The outcome of the main proceedings remains open.

As previously reported, a Mexican governmental control authority had barred Siemens S.A. de C.V. Mexico (Siemens Mexico) from bidding on public contracts for a period of three years and nine months beginning November 30, 2005. This proceeding arose from allegations that Siemens Mexico did not disclose alleged minor tax discrepancies when it was signing a public contract in 2002. Upon several appeals by Siemens Mexico, the execution of the debarment was stayed, the debarment subsequently reduced to a period of four months, and in June 2009 the Company was finally informed by the relevant administrative court that the debarment was completely annulled.

In July 2008, Mr. Abolfath Mahvi filed a request for arbitration with the ICC seeking an award of damages against Siemens AG in the amount of DM150 million (or the equivalent in euro, which is approximately 77) plus interest. Mr. Mahvi s claim is based on a contract concluded in 1974 between a company that was then a subsidiary of Siemens and two other companies, one domiciled in the Bermudas and the other in Liberia. Mr. Mahvi alleged that he is the successor in interest to the Bermudan and Liberian companies and that the companies assisted Siemens AG in the acquisition of a power plant project in Bushehr, Iran. On August 24, 2010, the arbitration award was served upon Siemens AG. All claims of Mr. Mahvi were rejected. The plaintiff must bear the costs of the arbitration proceeding.

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In July 2008, Hellenic Telecommunications Organization Société Anonyme (OTE) filed a lawsuit against Siemens AG with the district court of Munich, Germany, seeking to compel Siemens AG to disclose the outcome of its internal investigations with respect to OTE. OTE seeks to obtain information with respect to allegations of undue influence and/or acts of bribery in connection with contracts concluded between Siemens AG and OTE from 1992 to 2006. In May 2009, OTE was granted access to the public prosecutor s files in Greece. At the end of July 2010, OTE expanded its claim and requested payment of damages by Siemens AG of at least 57.07 to OTE for alleged bribery payments to OTE-employees. Siemens AG is currently preparing its written statement of defense relating to the expansion of the claim. The oral hearing has been scheduled for February 2011.

Siemens A.E. entered into a subcontract agreement with Science Applications International Corporation, Delaware, USA, (SAIC) in May of 2003 to deliver and install a significant portion of a security surveillance system (the C4I project) in advance of the Olympic Games in Athens, Greece. Siemens A.E. fulfilled its obligations pursuant to the subcontract agreement. Nonetheless, the Greek government claimed errors related to the C4I-System and withheld amounts for abatement in the double-digit million euro range. Furthermore the Greek government withheld final payment in the double-digit million euro range, only recently claiming that the system has not been finally accepted. Although Siemens A.E. is not a contractual party of the Greek government, under Siemens A.E s subcontract agreement with SAIC non-payment by the Greek government economically affects Siemens A.E. as well. SAIC has filed for arbitration contesting all the Greek government s claims and ability to withhold payments. The Greek State filed inter alia a motion to stay the arbitration pursuant to the ongoing criminal investigations conducted by the Greek public prosecutor. Resolution of this dispute has been complicated by bribery and fraud allegations against Siemens A.E. in Greece, which have resulted in extensive negative media coverage concerning the C4I system.

The Greek tax authorities have audited Siemens A.E. s books for the 1997 to 2003 and 2004 to 2007 tax years. In the third quarter of fiscal 2010, based on a preliminary communication of the findings of the tax audits, Siemens A.E. made payments under a tax law enacted in April 2010 to settle certain matters for which provisions had been established. Siemens A.E. does not expect any further material findings by the Greek tax authorities which would require Siemens A.E. to make additional material payments.

In December 2008, the Polish Agency of Internal Security (AWB) remanded into custody an employee of Siemens Healthcare Poland, in connection with an investigation regarding a public tender issued by the hospital of Wroclaw in 2008. According to the AWB, the Siemens employee and the deputy hospital director are accused of having manipulated the tender procedure. In October 2010, the investigation was closed.

In April 2009, the Defense Criminal Investigative Service of the U.S. Department of Defense conducted a search at the premises of Siemens Medical Solutions USA, Inc. in Malvern, Pennsylvania, in connection with an investigation relating to a Siemens contract with the U.S. Department of Defense for the provision of medical equipment.

In June 2009, Siemens AG and two of its subsidiaries voluntarily self-reported, among others, possible violations of U.S. Export Administration Regulations to the responsible U.S. authorities.

As previously reported, since July 2009 the EU Anti-Fraud Office OLAF, its Romanian equivalent DELAF and the Romanian public prosecutor DNA have been investigating allegations of fraud in connection with the 2007 award of a contract to FORTE Business Services (now Siemens IT Solutions and Services Romania) to modernize the IT infrastructure of the Romanian judiciary. On September 2, 2010, OLAF put the matter on monitoring status and decided not to open formal proceedings. DELAF referred the matter to DNA and closed its investigations.

For certain legal proceedings information required under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed, if the Company concludes that the disclosure can be expected to seriously prejudice the outcome of the litigation.

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In addition to the investigations and legal proceedings described above, Siemens AG and its subsidiaries have been named as defendants in various other legal actions and proceedings arising in connection with their activities as a global diversified group. Some of these pending proceedings have been previously disclosed. Some of the legal actions include claims or potential claims for punitive damages or claims for indeterminate amounts of damages. Siemens is from time to time also involved in regulatory investigations beyond those described above. Siemens is cooperating with the relevant authorities in several jurisdictions and, where appropriate, conducts internal investigations regarding potential wrongdoing with the assistance of in-house and external counsel. Given the number of legal actions and other proceedings to which Siemens is subject, some may result in adverse decisions. Siemens contests actions and proceedings when it considers it appropriate. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which claimants seek indeterminate damages, Siemens may not be able to predict what the eventual loss or range of loss related to such matters will be. The final resolution of the matters discussed in this paragraph could have a material effect on Siemens business, results of operations and financial condition for any reporting period in which an adverse decision is rendered. However, Siemens currently does not expect its business, results of operations and financial condition to be materially affected by the additional legal matters not separately discussed in this paragraph.

31. Additional disclosures on financial instruments

The following table presents the carrying amounts of each category of financial assets and financial liabilities:

	September 30,	
	2010	**2009**
Financial assets:		
Loans and receivables	24,749	24,119
Cash and cash equivalents	14,108	10,159
Derivatives designated in a hedge accounting relationship	2,232	1,895
Financial assets held for trading	1,410	976
Available-for-sale financial assets	732	561
	43,231	37,710
Financial liabilities:		
Financial liabilities measured at amortized cost	28,922	28,539
Financial liabilities held for trading	1,098	864
Derivatives designated in a hedge accounting relationship	164	134
	30,184	29,537

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The following table presents the fair values and carrying amounts of financial assets and financial liabilities measured at cost or amortized cost:

	September 30, 2010		September 30, 2009	
	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets measured at cost or amortized cost				
Trade and other receivables[1]	14,111	14,111	13,951	13,951
Receivables from finance leases	4,879	4,879	4,885	4,885
Cash and cash equivalents	14,108	14,108	10,159	10,159
Other non-derivative financial assets	5,759	5,759	5,283	5,283
Available-for-sale financial assets[2]		410		335
Financial liabilities measured at cost or amortized cost				
Notes and bonds	17,343	17,300	16,373	16,502
Trade payables	7,899	7,899	7,617	7,617
Loans from banks and other financial indebtedness	2,439	2,442	2,941	2,942
Obligations under finance leases	169	171	191	194
Other non-derivative financial liabilities	1,110	1,110	1,284	1,284

(1) This caption consists of (i) 13,186 and 12,711 short-term trade receivables (except for receivables from finance leases) in fiscal 2010 and fiscal 2009, respectively, see Note 12, (ii) 531 and 453 trade receivables from sale of goods and services (non current) in fiscal 2010 and fiscal 2009, respectively, see Note 20 as well as (iii) 394 and 787 receivables included in Other financial assets in fiscal 2010 and fiscal 2009, respectively, see Note 20.

(2) This caption consists of equity instruments classified as available-for-sale, for which a fair value could not be reliably measured and which are recognized at cost.

The fair values of cash and cash equivalents, current receivables, trade payables, other current financial liabilities, commercial paper and borrowings under revolving credit facilities approximate their carrying amount largely due to the short-term maturities of these instruments.

Long-term fixed-rate and variable-rate receivables, including receivables from finance leases, are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances for these receivables are taken into account. As of September 30, 2010 and 2009, the carrying amounts of such receivables, net of allowances, approximate their fair values.

The fair value of quoted notes and bonds is based on price quotations at the period-end date. The fair value of unquoted notes and bonds, loans from banks and other financial indebtedness, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt of similar terms and remaining maturities.

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Financial instruments categorized as financial assets and financial liabilities measured at fair value are presented in the following table:

	September 30, 2010	2009
Financial assets measured at fair value		
Available-for-sale financial assets	322	226
Derivative financial instruments	3,642	2,871
Not designated in a hedge accounting relationship	*1,314*	*820*
In connection with fair value hedges	*1,936*	*1,474*
Foreign currency exchange derivatives	*9*	*10*
Interest rate derivatives	*1,927*	*1,464*
In connection with cash flow hedges	*296*	*421*
Foreign currency exchange derivatives	*295*	*413*
Interest rate derivatives		*8*
Commodity derivatives	*1*	
Embedded derivatives	*96*	*156*
Financial liabilities measured at fair value		
Derivative financial instruments	1,262	998
Not designated in a hedge accounting relationship	*998*	*731*
In connection with fair value hedges	*11*	*4*
Foreign currency exchange derivatives	*11*	*4*
Interest rate derivatives		
In connection with cash flow hedges	*153*	*130*
Foreign currency exchange derivatives	*137*	*130*
Interest rate derivatives	*16*	
Commodity derivatives		
Embedded derivatives	*100*	*133*

Fair values for available-for-sale financial assets are derived from quoted market prices in active markets.

The Company limits default risks in derivative instruments by a careful counterparty selection. Derivative instruments are principally transacted with financial institutions with investment grade credit ratings. The fair valuation of derivative instruments at Siemens incorporates all factors that market participants would consider, including an adequate consideration of the counterparties credit risks. This assures that the counterparties credit risks themselves as well as any changes in the counterparties credit worthiness are included in the fair valuation of the Company s derivative instruments and thus reflected in the Consolidated Financial Statements. The exact calculation of fair values for derivative financial instruments depends on the specific type of instruments:

Derivative interest rate contracts The fair values of derivative interest rate contracts (e.g. interest rate swap agreements) are estimated by discounting expected future cash flows using current market interest rates and yield curves over the remaining term of the instrument. Interest rate options are valued on the basis of quoted market prices or on estimates based on option pricing models.

Derivative currency contracts The fair value of forward foreign exchange contracts is based on forward exchange rates. Currency options are valued on the basis of quoted market prices or on estimates based on option pricing models.

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Derivative commodity contracts The fair value of commodity swaps is based on forward commodity prices. Commodity options are valued on the basis of quoted market prices or on estimates based on option pricing models.

Credit default swaps The fair value of credit default swaps is calculated by comparing discounted expected future cash flows using current bank conditions with discounted expected future cash flows using contracted conditions.

In determining the fair values of the derivative financial instruments, no compensating effects from underlying transactions (e.g. firm commitments and anticipated transactions) are taken into consideration.

The following table allocates financial assets and financial liabilities measured at fair value to the three levels of the fair value hierarchy, as defined in IFRS 7.

	September 30, 2010			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Available-for-sale financial assets	322			322
Derivative financial instruments		3,642		3,642
Total	322	3,642		3,964
Financial liabilities measured at fair value				
Derivative financial instruments		1,262		1,262

	September 30, 2009			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Available-for-sale financial assets	226			226
Derivative financial instruments		2,871		2,871
Total	226	2,871		3,097
Financial liabilities measured at fair value				
Derivative financial instruments		998		998

The levels of the fair value hierarchy and its application to our financial assets and financial liabilities are described below:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data.

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Net gains (losses) of financial instruments are as follows:

	Year ended September 30,	
	2010	2009
Cash and cash equivalents	(34)	7
Available-for-sale financial assets	16	(44)
Loans and receivables	(87)	(419)
Financial liabilities measured at amortized cost	(283)	302
Financial assets and financial liabilities held for trading	(665)	34

Net gains (2009: losses) on available-for-sale financial assets include impairment losses, gains or losses on derecognition and the ineffective portion of fair value hedges. For the amount of unrealized gains or losses on available-for-sale financial assets recognized directly in equity during the fiscal year and the amount removed from equity and recognized in net income for the fiscal year see *Other Comprehensive Income* in Note 27.

Net losses on loans and receivables contain changes in valuation allowances, gains or losses on derecognition as well as recoveries of amounts previously written-off.

Net losses (2009: gains) on financial liabilities measured at amortized cost are comprised of gains or losses from derecognition and the ineffective portion of fair value hedges.

Net losses (2009: gains) on financial assets and financial liabilities held for trading consist of changes in the fair value of derivative financial instruments (including interest income and expense), for which hedge accounting is not applied.

The amounts presented include foreign currency gains and losses from the realization and valuation of the financial assets and liabilities mentioned above.

Collateral

Siemens holds securities as collateral on reverse repurchase agreements and is permitted to sell or re-pledge these securities. As of September 30, 2010 and 2009 the fair value of the collateral held amounted to 2,042 and 716, respectively. As of September 30, 2010, the right to sell or re-pledge the collateral has not been exercised. As of September 30, 2010 and 2009, the carrying amount of financial assets Siemens has pledged as collateral amounted to 537 and 482, respectively.

32. Derivative financial instruments and hedging activities

As part of the Company s risk management program, a variety of derivative financial instruments are used to reduce risks resulting primarily from fluctuations in foreign currency exchange rates, interest rates and commodity prices, as well as to reduce credit risks. For additional information on the Company s risk management strategies, including the use of derivative financial instruments to mitigate or eliminate certain of these risks, see also Note 33.

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The fair values of each type of derivative financial instruments are as follows:

	September 30, 2010		September 30, 2009	
	Asset	Liability	Asset	Liability
Foreign currency exchange contracts	858	423	735	462
Interest rate swaps and combined interest/currency swaps	2,317	416	1,764	204
Commodity swaps	78	11	43	23
Embedded derivatives	96	100	156	133
Options	289	308	170	172
Other	4	4	3	4
	3,642	1,262	2,871	998

Foreign currency exchange risk management

As described in Note 33, the Company employs various derivative financial instruments in order to mitigate or eliminate certain foreign-currency exchange risks.

Derivative financial instruments not designated in a hedging relationship

The Company manages its risks associated with fluctuations in foreign-currency-denominated receivables, payables, debt, firm commitments and anticipated transactions primarily through a Company-wide portfolio approach. This approach concentrates the associated Company-wide risks centrally, and various derivative financial instruments, primarily foreign currency exchange contracts and options, are utilized to minimize such risks. Such a strategy does not qualify for hedge accounting treatment under IAS 39, *Financial Instruments: Recognition and Measurement*. Accordingly, all such derivative financial instruments are recorded at fair value on the Consolidated Statements of Financial Position, either as *Other current financial assets/liabilities* or *Other financial assets/liabilities,* and changes in fair values are charged to net income (loss).

The Company also has foreign-currency derivative instruments, which are embedded in certain sale and purchase contracts denominated in a currency other than the functional currency of the significant parties to the contract and other than a currency which is commonly used in the economic environment in which the contract takes place. Gains or losses relating to such embedded foreign-currency derivatives are reported in *Cost of goods sold and services rendered* in the Consolidated Statements of Income.

Hedging activities

The Company s operating units applied hedge accounting for certain significant anticipated transactions and firm commitments denominated in foreign currencies. Specifically, the Company entered into foreign exchange contracts to reduce the risk of variability of future cash flows resulting from forecasted sales and purchases and firm commitments resulting from its business units entering into long-term contracts (project business) and standard product business which are denominated primarily in U.S. dollar.

Cash flow hedges Changes in fair value of forward exchange contracts that were designated as foreign-currency cash flow hedges are recorded as follows: the portion of the fair value changes that is determined to be an effective hedge is recognized in *Other comprehensive income,* whereas the ineffective portion of the fair value changes is recognized in profit or loss. As of September 30, 2010 and 2009, the ineffective portion that was immediately recorded in profit or loss amounted to (15) and 6, respectively. In fiscal 2010, 2009 and 2008, net gains and losses of 1, (6), and 5, respectively, were reclassified from *Other comprehensive income* into *Cost of goods sold and services rendered* because the occurrence of the related hedged forecasted transaction was no longer

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probable. The development of *Other comprehensive income* resulting from changes in fair value of these transactions as well as from amounts that were removed and included in profit or loss is presented in Note 27.

It is expected that 87 of net deferred gains in *Other comprehensive income* will be reclassified into *Cost of goods sold and services rendered* in fiscal 2011, when the hedged forecasted foreign-currency denominated transaction affects profit or loss.

As of September 30, 2010, the maximum length of time over which the Company is hedging its future cash flows associated with foreign-currency forecasted transactions is 195 months.

Fair value hedges As of September 30, 2010 and 2009, the Company hedged firm commitments using forward exchange contracts that were designated as foreign-currency fair value hedges of future sales related primarily to the Company s project business and, to a lesser extent, purchases. As of September 30, 2010 and 2009, the hedging transactions resulted in the recognition of financial assets of 17 and 13, respectively, and financial liabilities of 14 and 23, respectively, for the hedged firm commitments. Changes in fair value of forward exchange contracts resulted in losses of 15 and gains of 2, respectively. These effects relate to gains from the valuation of firm commitments of 15 and losses of 2, respectively. Changes in fair value of the forward exchange contracts as well as of the firm commitments were recorded in *Cost of goods sold and services rendered.*

Interest rate risk management

Interest rate risk arises from the sensitivity of financial assets and liabilities to changes in market rates of interest. The Company seeks to mitigate this risk by entering into interest rate derivative financial instruments such as interest rate swaps (see also Note 33), options and, to a lesser extent, cross-currency interest rate swaps and interest rate futures, as well as forward rate agreements.

Derivative financial instruments not designated in a hedging relationship

Starting with the first quarter of fiscal 2010, the interest rate risk management relating to the Group excluding SFS business has been realigned with the financial market environment. Under this portfolio-based approach, derivative financial instruments are used to manage interest risk actively relative to a benchmark, consisting of medium-term interest rate swaps and forward rates. Compared to the former interest rate overlay management, the benchmark approach may result in longer interest periods of derivatives and higher nominal volumes. The interest rate management relating to the SFS business remains to be managed separately, considering the term structure of SFS financial assets and liabilities on a portfolio basis. Both approaches do not qualify for hedge accounting treatment under IAS 39. Accordingly, all interest rate derivative instruments used in this relation are recorded at fair value, either as *Other current financial assets/liabilities* or *Other financial assets/liabilities,* and changes in the fair values are charged to *Financial income (expense), net.* Net cash receipts and payments relating to interest rate swaps used in offsetting relationships are also recorded in *Financial income (expense), net.*

Fair value hedges of fixed-rate debt obligations

Under the interest rate swap agreements outstanding during the years ended September 30, 2010 and 2009, the Company agrees to pay a variable rate of interest multiplied by a notional principle amount, and receives in return an amount equal to a specified fixed rate of interest multiplied by the same notional principal amount. These interest rate swap agreements offset an impact of future changes in interest rates on the fair value of the underlying fixed-rate debt obligations. The interest rate swap contracts are reflected at fair value in the Company s Consolidated Statements of Financial Position and the related portion of fixed-rate debt being hedged is reflected at an amount equal to the sum of its carrying amount plus an adjustment representing the change in fair value of the debt obligations attributable to the interest rate risk being hedged. Changes in the fair value of interest rate swap

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contracts and the offsetting changes in the adjusted carrying amount of the related portion of fixed-rate debt being hedged are recognized as *Financial income (expense), net* in the Consolidated Statements of Income. Adjustments in the carrying amount of the debt obligations resulted in a loss of 498 and a loss of 848, respectively. During the same period, the related swap agreements resulted in a gain of 521 and a gain of 931, respectively. Therefore, the net effect recognized in *Financial income (expense), net,* representing the ineffective portion of the hedging relationship, amounted to 23 and 83 in fiscal 2010 and 2009, respectively. Net cash receipts and payments relating to such interest rate swap agreements are recorded as interest income and expense, respectively.

The Company had interest rate swap contracts to pay variable rates of interest of an average of 0.8 percent, 0.9 percent and 4.5 percent as of September 30, 2010, 2009 and 2008, respectively and received fixed rates of interest (average rate of 5.3 percent, 5.4 percent and 5.6 percent as of September 30, 2010, 2009 and 2008, respectively). The notional amount of indebtedness hedged as of September 30, 2010, 2009 and 2008 was 15,299, 15,565 and 11,766, respectively. This changed 91 percent, 94 percent and 89 percent of the Company s underlying notes and bonds from fixed interest rates into variable interest rates as of September 30, 2010, 2009 and 2008, respectively. The notional amounts of these contracts mature at varying dates based on the maturity of the underlying hedged items. The net fair value of interest rate swap contracts (excluding accrued interest) used to hedge indebtedness as of September 30, 2010, 2009 and 2008 was 1,665, 1,224 and 291, respectively.

Fair value hedges of available-for-sale financial assets

In fiscal 2008, the Company had applied fair value hedge accounting for certain fixed-rate available-for-sale financial assets. However, fair value hedge accounting was terminated at the beginning of fiscal 2008, since the majority of the hedged item was derecognized. There was no such hedging relationship in fiscal 2010 and 2009. To offset the impact of future changes in interest rates on the fair value of the underlying fixed-rate available-for-sale financial assets, interest rate swap agreements had been entered into. As long as hedge accounting was applied, the interest rate swap contracts and the related portion of the available-for-sale financial assets were reflected at fair value in the Company s Consolidated Statements of Financial Position. Changes in the fair value of interest rate swap contracts and the offsetting changes in fair value of the available-for-sale financial assets being hedged attributable to the interest rate risk being hedged were recognized as adjustments to the line item *Financial income (expense), net* in the Consolidated Statements of Income. The net effect recognized in *Financial income (expense), net,* representing the ineffective portion of the hedging relationship, amounted to in fiscal 2010.

Cash flow hedges of revolving term deposits

In fiscal, 2010 and 2009, the Company applied cash flow hedge accounting for a revolving term deposit. To offset the effect of future changes in interest payments of this revolving term deposit, the Company had entered into an interest rate swap agreement to pay a variable rate of interest and to receive a specified fixed rate of interest. When the swap contract ended in June 2010, cash flow hedge accounting was terminated. As long as hedge accounting was applied, the interest rate swap contract was reflected at fair value and the effective portion of changes in fair value were recorded in *Other comprehensive income*; any ineffective portion of changes in fair value was recognized in profit or loss. In fiscal 2010 and 2009, the cash flow hedges of revolving term deposits did not result in any ineffective portion to be recognized in profit or loss. Net cash receipts and payments relating to such interest rate swap agreements were recorded as interest income and expense, respectively.

Cash flow hedges of a variable-rate term loan

As of September 30, 2010, the Company applied cash flow hedge accounting for 50 percent of a variable-rate U.S. dollar term loan. To benefit from the low interest rates in the U.S., the Company entered into interest rate swap agreements to pay a fixed rate of interest and to receive in return a variable rate of interest. These interest rate swap

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agreements offset the effect of future changes in interest payments to be made for the underlying variable-rate term loan. The interest rate swap contracts are reflected at fair value and the effective portion of changes in fair value of the interest rate swap contracts that were designated as cash flow hedges are recorded in *Other comprehensive income*; any ineffective portion of changes in fair value is recognized in profit or loss. In fiscal 2010, the cash flow hedges of the variable-rate term loan did not lead to any ineffective portion to be recognized in profit or loss. Net cash receipts and payments relating to such interest rate swap agreements are recorded as interest income and expense, respectively.

Commodity price risk management

As described in Note 33, the Company employs commodity derivatives in order to mitigate or eliminate price risks from the procurement of commodities.

Derivative financial instruments not designated in a hedging relationship

The Company partly uses a portfolio approach to manage the Company-wide risks associated with fluctuations in commodity prices from firm commitments and anticipated transactions by entering into commodity swaps and commodity options. As such, a strategy does not qualify for hedge accounting treatment under IAS 39, *Financial Instruments: Recognition and Measurement*, the derivative financial instruments are recorded at fair value on the Consolidated Statements of Financial Position, either as *Other current financial assets/liabilites* or *Other financial assets/liabilities,* and changes in fair values are charged to net income (loss).

Cash flow hedging activities

As of June 2010, the Company s corporate procurement applies cash flow hedge accounting for certain firm commitments to purchase copper. Changes in fair value of the swaps which are used in the hedging relationship are recorded as follows: the portion of the fair value changes that is determined to be an effective hedge is recognized in *Other comprehensive income,* whereas the ineffective portion of the fair value changes is recognized in profit or loss. As of September 30, 2010, there was no ineffective portion that had to be recorded in profit or loss. In fiscal 2010, no gains or losses were reclassified from *Other comprehensive income* into *Cost of goods sold and services rendered* because the occurrence of the related hedged forecasted transaction was no longer probable. The development of *Other comprehensive income* resulting from changes in fair value of these transactions as well from amounts that were removed and included in profit or loss is presented in Note 27.

It is expected that 1 of net deferred gains in *Other comprehensive income* will be reclassified into *Cost of goods sold and services rendered* in fiscal 2011, when the consumption of the hedged commodity purchases is recognized as *Cost of goods sold and services rendered*. As of September 30, 2010, the maximum length of time over which the Company is hedging its future commodity purchases is 12 months.

33. Financial risk management

Market risks

Siemens financial risk management is an integral part of how to plan and execute its business strategies. Siemens financial risk management policy is set by the Managing Board. Siemens organizational and accountability structure requires each of the respective managements of Siemens Sectors, Cross-Sector Businesses, Regional Clusters and Corporate Units to implement financial risk management programs that are tailored to their specific industries and responsibilities, while being consistent with the overall policy established by the Managing Board.

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Increasing market fluctuations may result in significant cash-flow and profit volatility risk for Siemens. Its worldwide operating business as well as its investment and financing activities are affected by changes in foreign exchange rates, interest rates, and commodity and equity prices. To optimize the allocation of the financial resources across the Siemens segments and entities, as well as to secure an optimal return for its shareholders, Siemens identifies, analyzes and proactively manages the associated financial market risks. The Company seeks to manage and control these risks primarily through its regular operating and financing activities, and uses derivative instruments when deemed appropriate.

Within the various methodologies to analyze and manage risk, Siemens implemented a system based on parametric variance-covariance Value at Risk (VaR). The VaR methodology provides a quantification of the market risk based on historical volatilities and correlations of the different risk factors under the assumptions of the parametric variance-covariance Value at Risk model. The VaR figures are calculated based on

historical volatilities and correlations,

a ten day holding period and

a 99.5 percent confidence level

for all defined financial risks.

Actual results that are included in the Consolidated Statements of Income may differ substantially from VaR figures due to fundamental conceptual differences. The Consolidated Statements of Income are prepared in accordance with IFRS. The VaR figures result from a pure financial calculation model which calculates a potential financial loss which does not exceed stated VaR within ten days with a probability of 99.5 percent. The concept of VaR is used for internal management of the Treasury activities.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based rise to some limitations including the following. A 10-day holding period assumes that it is possible to dispose of positions within this period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period. A 99.5 percent confident level does not reflect losses that may occur beyond this level. Even within the model used there is a 0.5 percent statistical probability that losses could exceed the calculated VaR. The use of historical data as a basis for estimating the statistic behavior of the relevant markets and finally determining the possible range of the future outcomes out of this statistic behavior may not always cover all possible scenarios, especially those of an exceptional nature.

Any market sensitive instruments, including equity and interest bearing investments, that our Company s pension plans hold are not included in the following quantitative and qualitative disclosure. For additional information see Note 24. SFS holds a minor trading portfolio which is subject to tight limits. As of September 30, 2010, and 2009, respectively, it had a value at risk (VaR) close to zero.

Foreign currency exchange rate risk

Transaction risk and currency management

Siemens international operations expose the Company to foreign-currency exchange risks, especially between the U.S. dollar and the euro, in the ordinary course of business. The Company employs various strategies discussed below involving the use of derivative financial instruments to mitigate or eliminate certain of those exposures.

Foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. Each Siemens unit conducting business with international counterparties that leads to future cash flows denominated in a currency other than its functional currency is exposed to the risk from changes in foreign exchange rates.

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Foreign currency exposure is partly balanced by purchasing of goods, commodities and services in the respective currencies as well as production activities and other contributions along the value chain in the local markets.

Operating units are prohibited from borrowing or investing in foreign currencies on a speculative basis. Intercompany financing or investments of operating units are preferably done in their functional currency or on a hedged basis.

Siemens has established a foreign exchange risk management system that has an established track record for years. Each Siemens unit is responsible for recording, assessing, monitoring, reporting and hedging its foreign currency transaction exposure. The binding guideline for Siemens Divisions and entities provides the concept for the identification and determination of the single net foreign currency position and commits the units to hedge it in a narrow band: at least 75 percent but no more than 100 percent of their net foreign currency position. In addition, the guideline provides a framework of the organizational structure necessary for foreign currency exchange management, proposes hedging strategies and defines the hedging instruments available to the entities: forward contracts, currency put and call options and stop-loss orders. Where it is not contrary to country specific regulations, hedging activities of the Siemens units are transacted internally with Corporate Treasury. Hedging transactions with external counterparties in the global financial markets are carried out under these limitations by Corporate Treasury. This includes hedging instruments which qualify for hedge accounting.

Siemens has a Company-wide portfolio approach which generates a benefit from any potential off-set of divergent cash flows in the same currency, as well as optimized transaction costs. For additional information relating to the effect of this Company-wide portfolio approach on the Consolidated Financial Statements, as well as for a discussion of hedging activities employed to mitigate or reduce foreign currency exchange risks, see Note 32.

The VaR for foreign exchange rates is calculated by aggregation of the net foreign exchange rate exposure. The figures disclosed here are based on the net foreign exchange positions after hedging. As of September 30, 2010 the foreign exchange rate risk based on historical volatilities and correlations, a ten day holding period and a confidence level of 99.5 percent resulted in a VaR of 18 compared to a VaR of 12 in the year before. Changes in euro values of future cash flows due to volatile exchange rates might influence the unhedged portion of revenues, but would also affect the unhedged portion of cost of materials. Future changes in the foreign exchange rates can impact sales prices and may lead to margin changes, the extent of which is determined by the matching of foreign currency revenues and expenses.

Siemens defines foreign exchange rate exposure generally as items of the Consolidated Statement of Financial Position in addition to firm commitments which are denominated in foreign currencies, as well as foreign currency denominated cash inflows and cash outflows from anticipated transactions for the following three months. This foreign currency exposure is determined based on the respective functional currencies of the exposed Siemens entities.

Effects of currency translation

Many Siemens subsidiaries are located outside the euro zone. Since the financial reporting currency of Siemens is the euro, the financial statements of these subsidiaries are translated into euro for the preparation of the Consolidated Financial Statements of Siemens. To consider the effects of foreign exchange translation risk in the risk management, the assumption is that investments in foreign-based operations are permanent and that reinvestment is continuous. Effects from currency fluctuations on the translation of net asset amounts into euro are reflected in the Company s consolidated equity position.

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Interest rate risk

Siemens interest rate risk exposure is mainly related to debt obligations like bonds, loans, commercial paper programs and interest-bearing deposits and investments. Siemens seeks to manage this risk through the use of derivative instruments which allow it to hedge fair value changes by swapping fixed rates of interest into variable rates of interest. To optimize the Company s position with regard to interest income and interest expenses and to manage the overall financial interest rate risk with respect to valuation risk affecting profit and loss and economic risk of changing interest rates, Corporate Treasury performs a comprehensive corporate interest rate risk management, which manages the interest rate risk relating to the SFS business and to the remaining group separately. For additional information see Note 32.

Where it is not contrary to country-specific regulations, all Siemens segments and entities generally obtain any required financing through Corporate Treasury in the form of loans or intercompany clearing accounts. The same concept is adopted for deposits of cash generated by the units.

Assuming historical volatilities and correlations, a ten day holding period and a confidence level of 99.5 percent the interest rate VaR was 107 as of September 30, 2010, increasing from the comparable value of 33 as of September 30, 2009. This interest rate risk results primarily from euro and U.S. dollar denominated long-term fixed rate debt obligations and interest-bearing investments. The increase of VaR is due primarily to the realignment of the interest rate management starting with the first quarter of fiscal 2010. Compared to the former interest rate overlay management, the benchmark approach resulted in longer interest periods of derivatives and higher nominal volumes. For additional information see Note 32.

Commodity price risk

Siemens production operations expose the Company to various commodity price risks in the ordinary course of business. Especially in the Industry and Energy Sector a continuous supply of copper is necessary for the operating activities. Commodity price risk fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Company employs various strategies discussed below involving the use of derivative financial instruments to mitigate or eliminate certain of those exposures.

Siemens has established a commodity price risk management system to reduce earnings and cash flow volatility. Each Siemens unit is responsible for recording, assessing, monitoring, reporting and hedging its risks from forecasted and pending commodity purchase transactions (commodity price risk exposure). The binding guideline for Siemens Divisions and entities developed by the Corporate Supply Chain Management department provides the concept for the identification and determination of the commodity price risk exposure and commits the units to hedge it in a narrow band: 75 percent 100 percent of the commodity price risk exposure in the product business for the current and the subsequent quarter and 95 percent 100 percent of the commodity price risk exposure in the project business after receipt of order.

The aggregated commodity price risk exposure is hedged with external counterparties through derivative financial hedging instruments by Corporate Treasury. Financial hedging instruments designated for hedge accounting are directly entered into with external counterparties. Additionally, Siemens has a Company-wide portfolio approach which generates a benefit from optimizing the Company s position of the overall financial commodity price risk. For additional information relating to the effect of this Company-wide portfolio approach on the Consolidated Financial Statements, as well as for a discussion of hedging activities employed to mitigate or reduce commodity price risks, see Note 32.

Using historical volatilities and correlations, a ten day holding period and a confidence level of 99.5 percent, the VaR for commodity derivatives was 47 as of September 30, 2010, decreasing from the comparable value of 68

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as of September 30, 2009. However, the economic VaR, which comprises the net position of commodity derivates and the commodity purchase transactions with price risk, was 8 as of September 30, 2010.

Equity price risk

Siemens investment portfolio consists of direct and indirect investments in publicly traded companies held for purposes other than trading. These participations result mainly from strategic partnerships or compensation from M&A-transactions; indirect investments are mainly transacted for financial reasons.

The equity investments are monitored based on their current market value, affected primarily by the fluctuations in the volatile technology-related markets worldwide. The market value of Siemens portfolio in publicly traded companies as of September 30, 2010 was 138 compared to 141 as of September 30, 2009.

Based on historical volatilities and correlations, a ten day holding period and a confidence level of 99.5 percent, the VaR as of September 30, 2010 of Siemens equity investments was 13 compared to 21 the year before, meaning that the equity price risk has decreased over the last year.

Liquidity risk

Liquidity risk results from the Company s potential inability to meet its financial liabilities, e.g. for the settlement of its financial debt or for ongoing cash requirements from operating activities. Beyond effective working capital and cash management, Siemens mitigates liquidity risk by arranged borrowing facilities with highly rated financial institutions, via a medium-term notes program and via an established global commercial paper program. For further information on short- and long-term debt see Note 23.

In addition to the above mentioned sources of liquidity, Siemens constantly monitors funding options available in the capital markets, as well as trends in the availability and costs of such funding, with a view to maintaining financial flexibility and limiting repayment risks.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. It includes expected net cash outflows from derivative financial liabilities which are in place as per September 30, 2010. Such expected net cash outflows are determined based on each particular settlement date of an instrument. The amounts disclosed are undiscounted net cash outflows for the respective upcoming fiscal years, based on the earliest date on which Siemens could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on the conditions existing at September 30, 2010.

	Year ended September 30,			
	2011	**2012**	**2013 to 2015**	**2016 and thereafter**
Non-derivative financial liabilities				
Notes and bonds	2,778	3,166	4,588	9,874

Loans from banks	328	46	2,026	13
Other financial indebtedness	27	21	63	38
Obligations under finance leases	57	21	41	73
Trade payables	7,880	12	5	2
Other financial liabilities	499	59	85	9
Derivative financial liabilities	535	296	222	56

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The risk implied from the values shown in the table above, reflects the one-sided scenario of cash outflows only. Obligations under finance leases, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital e.g. inventories and trade receivables. These assets are considered in the Company s overall liquidity risk management. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, Siemens has established a comprehensive risk reporting covering its worldwide business units.

The balanced view of liquidity and financial indebtedness is stated in the calculation of the Net debt. **Net debt** results from total debt less total liquidity. **Total debt** comprises *Short-term debt and current maturities of long-term debt* as well as *Long-term debt*, as stated on the Consolidated Statements of Financial Position. Total debt comprises *Notes and bonds*, *Loans from banks*, *Obligations under finance leases* and *Other financial indebtedness* such as commercial paper. **Total liquidity** refers to the liquid financial assets we had available at the respective period-end dates to fund our business operations and to pay for near-term obligations. Total liquidity comprises *Cash and cash equivalents* as well as current *Available-for-sale financial assets*, as stated on the Consolidated Statements of Financial Position. Management uses the *Net debt* measure for internal corporate finance management, as well as for external communication with investors, analysts and rating agencies.

	September 30,	
	2010	**2009**
Short-term debt and current maturities of long-term debt	2,416	698
Long-term debt	17,497	18,940
Total debt	**19,913**	**19,638**
Cash and cash equivalents	14,108	10,159
Available-for-sale financial assets	246	170
Total liquidity	**14,354**	**10,329**
Net debt (Total debt less Total liquidity)	**5,560**	**9,309**

Siemens **capital resources** consist of a variety of short- and long-term financial instruments including, but not limited to, loans from financial institutions, commercial paper, medium-term notes and bonds. In addition, other capital resources consist of liquid resources such as *Cash and cash equivalents*, future cash flows from operating activities and current *Available-for-sale financial assets*.

Siemens **capital requirements** include, among others, scheduled debt service, regular capital spending, ongoing cash requirements from operating, Corporate Treasury and SFS financing activities, dividend payments, pension plan funding, portfolio activities and cash outflows in connection with restructuring measures.

Credit risk

The Company is exposed to credit risk especially in connection with its significant project business mainly in its Sectors and also in some Cross-Sector business fields as public infrastructure and transport, power generation and transmission, healthcare, utilities and IT, where direct or indirect financing in various forms may be provided to customers. In limited cases, the Company may also take an equity interest as part of the project financing.

The Company is also exposed to credit risk via its financing activities, primarily related to medical engineering, data processing equipment and industrial products of third party manufacturers.

Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time, if the value of property or equipment that serves as collateral declines, or if the projects Siemens has invested in are not successful. As a consequence of the worldwide financial market crisis customer default rates may increase and collateral values may decline. The effective monitoring and controlling of credit risk is a core

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competency of our risk management system. Siemens has implemented a binding credit policy for all entities. Hence, credit evaluations and ratings are performed on all customers with an exposure or requiring credit beyond a centrally defined limit.

Customer ratings, analyzed and defined by a designated SFS department, and individual customer limits are based on generally accepted rating methodologies, the input from external rating agencies and Siemens customer default experiences. Such ratings are processed by internal risk assessment specialists. Ratings and credit limits are carefully considered in determining the conditions under which direct or indirect financing will be offered to customers.

Credit risk is recorded and monitored on an ongoing basis applying different approaches dependent on the underlying product. Central systems are used for ongoing monitoring of counterparty risk. In addition, SFS uses own systems for its financing activities. There are also a number of decentralized tools used for management of individual credit risks within the operating units. A central IT application processes data from the operating units together with rating and default information and calculates an estimate which may be used as a basis for individual bad debt provisions. In addition to this automated process, qualitative information is considered, in particular to incorporate the latest developments.

To increase transparency on credit risk Corporate Treasury has established in fiscal 2008 a Siemens Credit Warehouse. Certain operating units from the Siemens Group transferred business partner data as a basis for a centralized rating process to the Siemens Credit Warehouse. In addition, certain operating units in Europe and North America transferred in fiscal 2010 their current trade receivables along with the inherent credit risk to the Siemens Credit Warehouse, but remain responsible for servicing activities such as collections and receivables management. The Siemens Credit Warehouse actively identifies, quantifies and manages the credit risk in its portfolio, such as by selling or hedging exposure to specific customers, countries and industries. In addition to an increased transparency on credit risk, the Siemens Credit Warehouse may provide Siemens with an additional source of liquidity and strengthens Siemens funding flexibility.

The maximum exposure to credit risk of financial assets, without taking account of any collateral, is represented by their carrying amount. Credit risks arising from credit guarantees are described in Note 29. There were no significant concentrations of credit risk as of September 30, 2010 and 2009.

Concerning trade receivables and other receivables, as well as other loans or receivables included in *Other financial assets* that are neither impaired nor past due, there were no indications as of September 30, 2010, that defaults in payment obligations will occur. As of September 30, 2010 and 2009, there are no financial instruments that are past due but not impaired. For further information regarding the concept for the determination of allowances on receivables see Note 3.

34. Share-based payment

Share-based payment awards at Siemens, including Stock Awards, Stock Options, the Share Matching Program and its underlying plans, the Monthly Investment Plan as well as the Jubilee Share Program are predominately designed as equity-settled plans and to a certain extent as cash-settled plans. Total pre-tax expense for share-based payment recognized in net income amounted to 132, 212 and 91 for the years ended September 30, 2010, 2009 and 2008, respectively, and refers primarily to equity-settled awards, including the Company s employee share purchase program.

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I. Equity-settled awards

Stock Awards

The Company grants stock awards and phantom stock as another means for providing share-based compensation to members of the Managing Board and other eligible employees. Stock awards are subject to a four year vesting period for awards granted up to fiscal 2007 and a three year vesting period for awards granted thereafter. Upon expiration of the vesting period, the recipient receives Siemens shares without payment of consideration. Stock awards are forfeited if the grantee s employment with the Company terminates prior to the expiration of the vesting period. During the vesting period, grantees are not entitled to dividends. Stock awards may not be transferred, sold, pledged or otherwise encumbered. Stock awards may be settled in newly issued shares of common stock of Siemens AG, treasury stock or in cash. The settlement method will be determined by the Managing Board and the Supervisory Board.

Each fiscal year, the Company decides whether or not to grant Siemens stock awards. Siemens stock awards may be granted only once a year within thirty days following the date of publication of the business results for the previous fiscal year. The Supervisory Board decides annually after the end of each fiscal year how many stock awards to grant to the Managing Board and the Managing Board decides annually how many stock awards to grant to members of the top management of domestic and foreign subsidiaries and eligible employees.

In fiscal 2010, the Company granted 1,361,586 stock awards: 1,207,360 awards were granted to 4,305 employees and 154,226 awards were granted to members of the Managing Board. In fiscal 2009, the Company granted 1,992,392 stock awards: 1,740,063 awards were granted to 4,156 employees and 252,329 awards were granted to members of the Managing Board. In fiscal 2008, the Company granted 737,621 stock awards to 4,357 employees and members of the Managing Board, of which 79,133 awards were granted to the Managing Board. Details on stock award activity and weighted average grant-date fair value are summarized in the table below:

	Year ended September 30, 2010		Year ended September 30, 2009		Year ended September 30, 2008	
	Awards	Weighted average Grant-Date Fair Value	Awards	Weighted average Grant-Date Fair Value	Awards	Weighted average Grant-Date Fair Value
Non-vested, beginning of period	4,438,303	57.22	3,489,768	67.56	3,270,910	60.58
Granted	1,361,586	60.79	1,992,392	37.65	737,621	97.94
Vested	(824,694)	57.28	(881,097)	55.63	(79,068)	79.03
Forfeited/settled	(187,877)(1)	61.50(1)	(162,760)	48.01	(439,695)	64.50
Non-vested, end of period	4,787,318	58.06	4,438,303	57.22	3,489,768	67.56

(1) consists of 153,020 forfeited and 34,857 settled awards with weighted average grant-date fair values of 57.43 and 79.34, respectively, in fiscal 2010.

Fair value was determined as the market price of Siemens shares less the present value of dividends expected during the for year and three year vesting period, respectively, as stock awards do not carry dividend rights during the vesting period, which resulted in a fair value of 60.79, 37.65 and 97.94, respectively, per stock award granted in fiscal 2010, 2009 and 2008. Total fair value of stock awards granted in fiscal 2010, 2009 and 2008 amounted to 83, 75 and 72, respectively.

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Forfeited/settled in fiscal 2010, includes rights to stock awards granted to former Managing and Supervisory Board members, who used their stock award rights to net their obligations towards the Company, which resulted from settlement agreements in connection with compliance matters. For further information see Note 30.

Share Matching Program and its underlying plans:

a) Base Share Program

Under the Base Share Program, members of the Managing Board and employees of Siemens AG and participating Siemens companies can purchase Siemens shares under favorable conditions once a year. The Base Share Program is measured at fair value at grant-date. Shares purchased under the Base Share Program grant the right to receive matching shares under the same conditions described below at *Share Matching Plan.*

In fiscal 2010, the Base Share Program allowed members of the Managing Board and employees of Siemens AG and participating Siemens companies to make an investment of a fixed amount of their compensation into Siemens shares, which is sponsored by Siemens with a tax beneficial allowance per plan participant. Shares were bought at market price at a predetermined date in the second quarter. In fiscal 2010, the Company incurred pre-tax expense of 27. In fiscal 2009, members of the Managing Board and employees of Siemens AG and participating Siemens companies could purchase a limited number of Siemens shares at a preferential price. Up to a stipulated date in the first quarter of the fiscal year, employees were allowed to order the shares, which were issued in the second quarter of the fiscal year. In fiscal 2009, the Company incurred pre-tax expense of 42, based on a preferential share price of 22 per share and a grant-date fair value of the equity instrument of 25.56 per share.

Fair value is determined as the market price of Siemens shares less the present value of expected dividends as investment shares of the Base Share Program do not carry dividend rights until they are issued in the second quarter, less the share price paid by the participating employee.

The previous employee share purchase program was superseded by the Base Share Program in fiscal 2009. In fiscal 2008, under the previous program, the Company incurred pre-tax compensation expense of 27, based on a preferential share price of 69.19 per share and a grant-date fair value of 37.20. Shares purchased in fiscal 2008, under the employee share purchase program were not eligible for matching shares under the Share Matching Plan.

b) Share Matching Plan

In the first quarter of fiscal 2010, Siemens issued a new Share Matching Plan (Share Matching Plan 2010). In contrast to the Share Matching Plan 2009 (described below), the Share Matching Plan 2010 is restricted to senior managers only. Senior managers of Siemens AG and participating Siemens companies may invest a certain amount of their compensation in Siemens shares. While for the Share Matching Plan 2009, the price of the investment shares was fixed at the resolution date, for the Share Matching Plan 2010 the shares are purchased at the market price at a predetermined date in the second quarter. Up to the stipulated grant-dates in the first quarter of each fiscal year, senior managers have to decide on their investment amount for which investment shares are purchased. The investment shares are then issued in the second quarter of the fiscal year. In exchange, plan participants receive the right to one free share (matching share) for every three investment shares continuously held over a period of three years (vesting period) provided the plan participant has been continuously employed by Siemens AG or another Siemens company until the end of the vesting period. During the vesting period, matching shares are not entitled to dividends. The right to receive matching shares forfeits if the underlying investment shares are transferred, sold, pledged or otherwise encumbered. The Managing Board and the Supervisory Board of the Company will decide, each fiscal year, whether a new Share Matching Plan will be issued. The fair value at grant date of investment shares resulting from the Share Matching Plan 2010 is as the investment shares are offered at market price.

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In the first quarter of fiscal 2009, the Company introduced the Share Matching Plan 2009 to members of the Managing Board and to employees of Siemens AG and participating Siemens companies. Plan participants could invest a certain percentage of their compensation in Siemens shares at a predetermined price set at the resolution date (investment shares). In exchange, plan participants receive the right to one free share (matching share) for every three investment shares continuously held over a period of three years (vesting period) provided the plan participant has been continuously employed by Siemens AG or another Siemens company until the end of the vesting period. Up to the stipulated grant-dates in the first quarter of fiscal year 2009 employees could order the investment shares, which were issued in the second quarter of the fiscal year. During the vesting period, matching shares are not entitled to dividends. The right to receive matching shares forfeits if the underlying investment shares are transferred, sold, pledged or otherwise encumbered. Investment Shares resulting from the Share Matching Plan 2009 are measured at fair value at grant-date, which is determined as the market price of Siemens shares less the present value of expected dividends as investment shares do not carry dividend rights until they are issued in the second quarter, less the share price paid by the participating employee. Depending on the grant-date being either November 30, 2008 or December 17, 2008, the fair values amount to 3.47 and 5.56, respectively, per instrument. The weighted average grant-date fair value amounts to 5.39 per instrument, based on the number of instruments granted.

c) Monthly Investment Plan

In the first quarter of fiscal 2010, the Company introduced the Monthly Investment Plan as a further component of the Share Matching Plan. The Monthly Investment Plan is available for employees other than senior managers of Siemens AG and participating Siemens companies. Plan participants may invest a certain percentage of their compensation in Siemens shares on a monthly basis. The Managing Board of the Company will decide annually, whether shares acquired under the Monthly Investment Plan (investment shares) may be transferred to the Share Matching Plan the following year. If management decides that shares acquired under the Monthly Investment Plan are transferred to the Share Matching Plan, plan participants will receive the right to one free share (matching share) for every three investment shares continuously held over a period of three years (vesting period) provided the plan participant had been continuously employed by Siemens AG or another Siemens company until the end of the vesting period. Up to the stipulated grant-dates in the first quarter of each fiscal year, employees may decide their participation in the Monthly Investment Plan and consequently the Share Matching Plan. The Managing Board will decide, each fiscal year, whether a new Monthly Investment Plan will be issued.

d) Resulting Matching Shares

	Year ended September 30, 2010 Matching Shares	Year ended September 30, 2009 Matching Shares
Outstanding, beginning of period	1,266,444	
Granted[(1)]	446,324	1,324,596
Forfeited	(59,414)	(40,637)
Settled	(38,625)	(17,515)

Outstanding, end of period	**1,614,729**	**1,266,444**

(1) Thereof 6,837 and 25,962 to the Managing Board in fiscal 2010 and 2009.

Fair value was determined as the market price of Siemens shares less the present value of expected dividends during the vesting period as matching shares do not carry dividend rights during the vesting period. Non-vesting conditions, i.e. the condition neither to transfer, sell, pledge nor otherwise encumber the underlying shares, were

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considered in determining the fair values. The fair value of matching shares granted on December 17, 2009, amounts to 47.18 per share. The fair values of matching shares granted amounted to 20.32 and 21.34, per share, respectively, depending on the grant date being either November 30, 2008 or December 17, 2008. In fiscal 2010 and 2009, the weighted average grant-date fair value of the resulting matching shares is 47.18 and 21.29 per share respectively, based on the number of instruments granted. Total fair value of matching shares granted in fiscal 2010 and 2009 amounted to 21 and 28, respectively.

Jubilee Share Program

In fiscal 2009, Siemens changed its jubilee benefit program, which applies to a number of Siemens companies, from cash to share-based compensation. Under the Jubilee Share Program, eligible employees are granted jubilee shares after having been continuously employed by the Company for 25 and 40 years (vesting period), respectively. Settlement of jubilee grants is in shares. Jubilee shares are measured at fair value considering biometrical factors. The fair value is determined as the market price of Siemens shares at grant date less the present value of dividends expected to be paid during the vesting period for which the employees are not entitled to. The weighted average fair value of each jubilee share granted in fiscal 2010 for the 25th and the 40th anniversary is 43.41 and 39.54 respectively, based on the number of shares granted. The weighted average fair value of each jubilee share granted adjusted by biometrical factors (considering fluctuation) is 29.40 and 26.28, respectively, in fiscal 2010. The weighted average fair value of each jubilee share granted in fiscal 2009 for the 25th and the 40th anniversary is 34.46 and 29.01, respectively, based on the number of shares granted. The weighted average fair value of each jubilee share granted adjusted by biometrical factors (considering fluctuation) is 25.18 and 20.56, respectively, in fiscal 2009.

In fiscal 2010 and 2009, 0.45 million and 4.87 million jubilee shares were granted. 0.06 million and none were transferred, 0.18 million and 0.08 million forfeited, resulting in an outstanding balance of 5.0 million and 4.8 million jubilee shares as of September 30, 2010 and 2009. Considering biometrical factors, 3.69 million and 3.52 million jubilee shares are expected to vest as of September 30, 2010 and 2009.

Stock Option Plan

2001 Siemens Stock Option Plan

At the Annual Shareholders Meeting on February 22, 2001, shareholders authorized Siemens AG to establish the 2001 Siemens Stock Option Plan, making available up to 55 million options. The option grants are subject to a two-year vesting period, after which they may be exercised for a period of up to three years. The exercise price is equal to 120 percent of the reference price, which corresponds to the average opening market price of Siemens AG during the five trading days preceding the date of the stock option grant. However, an option may only be exercised if the trading price of the Company s shares reaches a performance target which is equal to the exercise price at least once during the life of the option. The terms of the plan allow the Company, at its discretion upon exercise of the option, to offer optionees settlement of the options in either newly issued shares of common stock of Siemens AG from the Conditional Capital reserved for this purpose, treasury stock or cash. The alternatives offered to optionees are determined by the Managing Board in each case as approved by the Supervisory Board. Compensation in cash shall be equal to the difference between the exercise price and the opening market price of the Company s stock on the day of exercising the stock options.

The issuance of stock options to members of the Managing Board on or after October 1, 2003, has been subject to the proviso that the Supervisory Board may restrict the stock option exercise in the event of extraordinary, unforeseen changes in the market price of the Siemens share. Those restrictions may reduce the number of options exercisable by each Board Member, provide for an exercise in cash for a constricted amount only, or suspend the exercise of the option until the extraordinary effects on the share price have ceased. The fair value of the options has

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not been adjusted for effects resulting from such restrictions. Reasonable estimates cannot be made until it is probable that such adverse events will occur. Since it is not possible to reliably estimate the fair value of those options at the grant date, compensation costs are determined based on the current intrinsic value of the option until the date at which the number of shares to which a Board member is entitled to and the exercise price are determinable. Upon that date, fair value will be determined in accordance with the fair value recognition provisions of IFRS 2, *Share-Based Payment,* based on an appropriate fair value option pricing model.

The authority to distribute options under the 2001 Siemens Stock Option Plan expired on December 13, 2006. Accordingly, no further options will be granted under this plan.

Details on option exercise activity and weighted average exercise prices for the years ended September 30, 2010, 2009 and 2008 are as follows:

	Year ended September 30, 2010				Year ended September 30, 2009		Year ended September 30, 2008	
	Options	Weighted average exercise price	Weighted average remaining contractual term (years)	Aggregate intrinsic value in millions of	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of period	2,627,742	73.89			5,097,083	73.60	8,606,272	72.13
Granted								
Options exercised	(687,605)	74.59					(2,832,839)	69.91
Options expired	(888,210)	72.54			(2,213,111)	73.25	(232,582)	86.52
Options forfeited	(116,495)	74.42			(152,015)	73.81	(234,660)	74.43
Options settled					(104,215)	73.39	(209,108)	73.64
Outstanding, end of period	935,432	74.59	0.13	3	2,627,742	73.89	5,097,083	73.60
Exercisable, end of period	935,432	74.59	0.13	3	2,627,742	73.89	5,097,083	73.60

As of September 30, 2009 and 2008, for Options outstanding the weighted average remaining contractual term was 0.8 years and 1.1 years, respectively; the aggregate intrinsic value amounted to and , respectively.

The following table summarizes information on stock options outstanding at September 30, 2010 and 2009:

	September 30, 2010		September 30, 2009	
Exercise prices	Number of Options outstanding	Weighted average remaining life (years)	Number of Options outstanding	Weighted average remaining life (years)
72.54			898,050	0.1
74.59	935,432	0.1	1,729,692	1.1

Fair value information

The Company s determination of the fair value of stock option grants is based on an option pricing model which was developed for use in estimating the fair values of options that have no vesting restrictions. Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The fair value per option outstanding as of September 30, 2010 amounts to 4.06 for grants made in fiscal 2006.

II. Cash-settled awards

Stock appreciation rights (SARs)

Where local regulations restrict the grant of stock options in certain jurisdictions, the Company grants SARs to employees under the same conditions as the 2001 Siemens Stock Option Plan except that SARs are exercisable in cash only.

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Details on SARs activity and weighted average exercise prices are summarized in the table below:

	Year ended September 30, 2010		Year ended September 30, 2009		Year ended September 30, 2008	
	SARs	Weighted average exercise price	SARs	Weighted average exercise price	SARs	Weighted average exercise price
Outstanding, beginning of period	54,945	73.85	138,485	73.58	198,280	73.63
Granted						
SARs exercised					(40,555)	73.72
SARs forfeited/settled/expired	(21,500)[(1)]	72.69	(83,540)	73.41	(19,240)	73.79
Outstanding, end of period	33,445	74.59	54,945	73.85	138,485	73.58
Exercisable, end of period	33,445	74.59	54,945	73.85	138,485	73.58

(1) Consists of 19,890 expired SARs with a weighted average exercise price of 72.54 and 1,610 settled SARs with a weighted average exercise price of 74.59 in fiscal 2010.

For purposes of determining the fair value of SARs in fiscal 2010, 2009 and 2008, the expected volatility is based on historical volatility of Siemens shares, implied volatility for traded Siemens options with similar terms and features, and certain other factors. The expected term is derived by applying the simplified method and is determined as the average of the vesting term and the contractual term. The risk-free interest rate is based on applicable governmental bonds. Changes in subjective assumptions can materially affect the fair value of the SARs.

Phantom stock

Where local regulations restrict the grants of stock awards in certain jurisdictions, the Company grants phantom stock to employees under the same conditions as the Siemens stock awards, except that grantees receive the share prices equivalent value in cash only at the end of the four, respectively, three year vesting period. In fiscal 2008, 24,303 phantom stock rights were granted, 6,517 phantom stock rights forfeited and 12,952 phantom stock rights were settled, resulting in a balance of 93,294 phantom stock rights as of September 30, 2008. In fiscal 2009, 159,787 phantom stock rights were granted, 18,460 were vested and transferred, 14,327 phantom stock rights forfeited and 12,604 phantom stock rights were settled, resulting in a balance of 207,690 non-vested phantom stock rights as of September 30, 2009. In fiscal 2010, 11,372 phantom stock rights were granted, 18,768 vested and were transferred 14,478 phantom stock rights forfeited and 17,476 phantom stock rights were settled, resulting in a balance of 168,340 non-vested phantom stock rights as of September 30, 2010.

35. Personnel costs

	Year ended September 30,		
	2010	**2009**	**2008**
Wages and salaries	21,572	20,320	21,486
Statutory social welfare contributions and expenses for optional support payments	3,328	3,353	3,256
Expenses relating to pension plans and employee benefits	778	996	904
	25,678	24,669	25,646

Expenses relating to pension plans and employee benefits include service costs for the period. Expected return on plan assets and interest cost are included in *Financial income (expense), net*.

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Included in fiscal 2010, are expenses of 310 related to special remuneration for non-management employees.

The average number of employees in fiscal years 2010, 2009 and 2008 was 402,700, 413,650 and 420,800, respectively (based on continuing operations). Part-time employees are included on a proportionate basis. The employees were engaged in the following activities:

	Year ended September 30, 2010	2009
	(in thousands)	
Manufacturing and services	262.1	264.9
Sales and marketing	77.8	82.8
Research and development	30.1	31.8
Administration and general services	32.7	34.2
	402.7	413.7

36. Earnings per share

	Year ended September 30, 2010	2009	2008
	(shares in thousands)		
Income from continuing operations	4,112	2,457	1,859
Less: Portion attributable to non-controlling interest	(169)	(205)	(155)
Income from continuing operations attributable to shareholders of Siemens AG	3,943	2,252	1,704
Weighted average shares outstanding basic	868,244	864,818	893,166
Effect of dilutive convertible debt securities and share-based payment	9,236	6,929	3,132
Weighted average shares outstanding diluted	877,480	871,747	896,298
Basic earnings per share (from continuing operations)	4.54	2.60	1.91
Diluted earnings per share (from continuing operations)	4.49	2.58	1.90

The dilutive earnings per share computation does not contain weighted average shares of 1,709 thousand, 2,695 thousand and 41 thousand in fiscal 2010, 2009 and 2008, respectively, since the options exercise prices exceeded the average market price of ordinary shares and its inclusion would have been antidilutive in the years presented.

37. Segment Information

The Company is divided into Sectors being Industry, Energy and Healthcare, a segment for Equity Investments and two segments referred to as Cross-Sector Businesses, composed of Siemens IT Solutions and Services and Siemens Financial Services (SFS).

Description of reportable segments

Sectors

The three Sectors comprise manufacturing, industrial and commercial goods, solutions and services in areas more or less related to Siemens origins in the electrical business field.

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Industry
The Industry Sector offers a complete spectrum of products, services and solutions for the efficient use of resources and energy and improvements of productivity in industry and infrastructure. Its integrated technologies and holistic solutions address primarily industrial customers, such as process and manufacturing industries, and infrastructure customers, especially in the areas of transport, buildings and utilities.

Energy
The Energy Sector offers a wide spectrum of products, services and solutions for the generation, transmission and distribution of power, and the extraction, conversion and transport of oil and gas. It primarily addresses the needs of energy providers, but also serves industrial companies, particularly in the oil and gas industry.

Healthcare
The Healthcare Sector offers products and complete solutions, services and consulting related to the healthcare industry and serves its customers as a fully integrated diagnostics provider. Healthcare maintains a comprehensive portfolio of medical solutions and is present in substantially the complete value-added chain ranging from medical imaging and laboratory diagnostics to clinical IT.

Equity Investments

Equity Investments is a reportable segment with its own management. Equity Investments contains investments accounted for under the equity method or at cost and current available-for-sale financial assets, which are not allocated to a Sector, Cross-Sector Business, SRE, Pensions or Treasury. As of September 30, 2010 and 2009, NSN, BSH and EN, see Note 4 are, among others, reported in Equity Investments. FSC, as of September 30, 2008 reported in Equity Investments, was sold in fiscal 2009.

Cross-Sector Businesses

Siemens IT Solutions and Services
Siemens IT Solutions and Services provides information and communications services primarily to customers in the commercial/industrial sector, in the energy, healthcare and service industries as well as to the public sector. Siemens IT Solutions and Services designs, builds and operates both discrete and large-scale information and communications systems.

Siemens Financial Services (SFS)

Siemens Financial Services provides a variety of financial services and products both to third parties and to other Siemens entities and their customers.

Reconciliation to Consolidated Financial Statements

Reconciliation to Consolidated Financial Statements contains businesses and items not directly related to Siemens reportable segments:

Centrally managed portfolio activities

Beginning with the first quarter of fiscal 2010, Segment Information includes a line item for centrally managed activities generally intended for divestment or closure, which at present primarily includes the Electronics Assembly Systems business and activities remaining from the divestment of the former Communications (Com) business. Results for the new line item, Centrally managed portfolio activities, as well as for Corporate items (see below) are stated on a comparable basis.

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Siemens Real Estate (SRE)
Siemens Real Estate owns and manages a substantial part of Siemens real estate portfolio and offers a range of services encompassing real estate development, real estate disposal and asset management, as well as lease and services management. SRE is in the process of bundling additional corporate real estate. In fiscal 2010, assets with a carrying amount of 872 were transferred to SRE.

Corporate items and pensions
Corporate items and pensions includes corporate charges such as personnel costs for corporate headquarters, corporate projects and non-operating investments or results of corporate-related derivative activities and, since fiscal 2010, costs for carve out activities managed by corporate, which are charged to the respective segment when the disposal gain or loss is realized. Pensions includes the Company s pension related income (expense) not allocated to the segments, SRE or Centrally managed portfolio activities.

Commencing fiscal 2011, infrastructure costs, currently reported in Corporate items, will be allocated to the segments, SRE and Centrally managed portfolio activities; costs for corporate management and corporate technology remain in Corporate items. Prior year amounts will be reported on a comparable basis.

Eliminations, Corporate Treasury and other reconciling items
Eliminations, Corporate Treasury and other reconciling items comprise consolidation of transactions within the segments, certain reconciliation and reclassification items and the activities of the Company s Corporate Treasury. It also includes interest income and expense, such as, for example, interest not allocated to segments or Centrally managed portfolio activities (referred to as financing interest), interest related to Corporate Treasury activities or resulting consolidation and reconciliation effects on interest.

Measurement Segments

Accounting policies for Segment Information are generally the same as those used for Siemens, which are described in Note 2. Lease transactions, however, are classified as operating leases for internal and segment reporting purposes. Corporate overhead is generally not allocated to segments. Intersegment transactions are based on market prices.

Profit of the Sectors, Equity Investments, and Siemens IT Solutions and Services:

Siemens Managing Board is responsible for assessing the performance of the segments. The Company s profitability measure of the Sectors, Equity Investments, and Siemens IT Solutions and Services is earnings before financing interest, certain pension costs, and income taxes (Profit) as determined by the chief operating decision maker. Profit excludes various categories of items, not allocated to the Sectors, Equity Investments, and Siemens IT Solutions and Services which Management does not regard as indicative of their performance. For fiscal 2010, Company s management approved a special remuneration presented in Corporate items which will primarily be allocated to the Sectors in fiscal 2011. Profit represents a performance measure focused on operational success excluding the effects of capital market financing issues (for financing issues regarding Equity Investments see paragraph below). The major categories of items excluded from Profit are presented below.

Financing interest, excluded from Profit, is any interest income or expense other than interest income related to receivables from customers, from cash allocated to the Sectors, Equity Investments, and Siemens IT Solutions and

Services and interest expense on payables to suppliers. Financing interest is excluded from Profit because decision-making regarding financing is typically made at the corporate level. Equity Investments include interest and impairments as well as reversals of impairments on long-term loans granted to investments reported in Equity Investments, primarily NSN.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Similarly, decision-making regarding essential pension items is done centrally. As a consequence, Profit primarily includes amounts related to service costs of pension plans only, while all other regularly recurring pension related costs (including charges for the German pension insurance association and plan administration costs) are included in the line item Corporate items and pensions. Curtailments are a partial payback with regard to past service costs that affect Segment Profit.

Furthermore, income taxes are excluded from Profit since income tax is subject to legal structures, which typically do not correspond to the structure of the segments.

The effect of certain litigation and compliance issues is excluded from Profit, if such items are not indicative of the Sectors, Equity Investments, and Siemens IT Solutions and Services performance, since their related results of operations may be distorted by the amount and the irregular nature of such events. This may also be the case for items that refer to more than one reportable segment, SRE and/or Centrally managed portfolio activities or have a corporate or central character.

Profit of Equity Investments mainly comprises income (loss) from investments presented in Equity Investments, such as the share in the earnings of associates or dividends from investments not accounted for under the equity method, income (loss) from the sale of interests in investments, impairment of investments and reversals of impairments. It also includes interest and impairments as well as reversals of impairments on long-term loans granted to investments reported in Equity Investments, primarily NSN.

Profit of the segment SFS:
Profit of the segment SFS is Income before income taxes. In contrast to performance measurement principles applied to the Sectors, Equity Investments, and Siemens IT Solutions and Services, interest income and expense is an important source of revenue and expense of SFS.

Asset measurement principles:

Management determined Assets as a measure to assess capital intensity of the Sectors, Equity Investments and Siemens IT Solutions and Services (Net capital employed). Its definition corresponds to the Profit measure. It is based on Total assets of the Consolidated Statements of Financial Position, primarily excluding intragroup financing receivables, intragroup investments and tax related assets, since the corresponding positions are excluded from Profit. The remaining assets are reduced by non-interest-bearing liabilities other than tax related liabilities (e.g. trade payables) and provisions to derive Assets. Equity Investments include certain shareholder loans granted to investments reported in Equity Investments, primarily NSN. In contrast, Assets of SFS is Total assets. A reconciliation of Assets disclosed in Segment Information to Total assets in the Consolidated Statements of Financial Position is presented below.

New orders:

New orders are determined principally as estimated revenue of accepted purchase orders and order value changes and adjustments, excluding letters of intent. New orders are supplementary information, provided on a voluntary basis. It is not part of the audited Consolidated Financial Statements.

Free cash flow definition:

Segment Information discloses Free cash flow and Additions to property, plant and equipment and intangible assets. Free cash flow of the Sectors, Equity Investments, and Siemens IT Solutions and Services constitutes net cash provided by (used in) operating activities less additions to intangible assets and property, plant and equipment. It excludes Financing interest as well as income tax related and certain other payments and proceeds, in accordance

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with the Company s Profit and Asset measurement definition. Free cash flow of Equity Investments includes interest from shareholder loans granted to investments reported in Equity Investments, primarily NSN. Pension curtailments are a partial payback with regard to past service costs that affect Segment Free cash flow. Free cash flow of SFS, a financial services business, includes related financing interest payments and proceeds; income tax payments and proceeds of SFS are excluded.

Amortization, depreciation and impairments:

Amortization, depreciation and impairments presented in Segment Information includes depreciation and impairments of property, plant and equipment, net of reversals of impairments as well as amortization and impairments of intangible assets, net of reversals of impairment. Goodwill impairment is excluded.

Measurement Centrally managed portfolio activities and SRE

Centrally managed portfolio activities follow the measurement principles of the Sectors. SRE applies the measurement principles of SFS.

Reconciliation to Siemens Consolidated Financial Statements

The following table reconciles total Assets of the Sectors, Equity Investments and Cross-Sector Businesses to Total assets of Siemens Consolidated Statements of Financial Position:

	September, 30	
	2010	**2009**
Assets of Sectors	22,771	24,958
Assets of Equity Investments	3,319	3,833
Assets of Cross-Sector Businesses	12,356	11,945
Total Segment Assets	**38,446**	**40,736**
Reconciliation:		
Assets Centrally managed portfolio activities	(574)	(543)
Assets SRE	5,067	4,489
Assets of Corporate items and pensions	(10,447)	(7,445)
Eliminations, Corporate Treasury and other reconciling items of Segment Information:		
Asset-based adjustments:		
Intragroup financing receivables and investments	24,813	28,083
Tax-related assets	4,625	3,771
Liability-based adjustments:		
Pension plans and similar commitments	8,464	5,938
Liabilities	41,637	38,112
Assets classified as held for disposal and associated liabilities		

Eliminations, Corporate Treasury, other items	(9,204)	(18,215)
Total Eliminations, Corporate Treasury and other reconciling items of Segment Information	70,335	57,689
Total Assets in Siemens Consolidated Statements of Financial Position	**102,827**	**94,926**

In fiscal years 2010, 2009 and 2008, *Corporate items and pensions* in the column Profit includes (1,292), (1,343) and (3,979) related to Corporate items, as well as (188), (372) and 106 related to Pensions, respectively. In fiscal 2010, Corporate items include higher personnel-related expenses, including expenses of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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310 related to special remuneration for non-management employees. Once allocation of the remuneration is determined in the first quarter of fiscal 2011, the expenses will be allocated primarily to the Sectors in fiscal 2011. Fiscal 2010 Corporate items also include 96 gains, net of related costs, from Siemens directors and officers insurance and from settlement agreements with former Managing and Supervisory Board members in conjunction with compliance matters as well as 40 gains related to the agreed recovery of funds frozen by authorities. For further information, see Note 30. Fiscal 2010 Corporate items also include carve out costs related to Siemens IT Solutions and Services.

Corporate items in fiscal 2009, comprise net expenses of (235), due to the SG&A restructuring program and other ongoing personnel-related restructuring measures, see Note 5. In fiscal 2009, Corporate items also include fees amounting to (95) for outside advisors engaged by the Company in connection with investigations into alleged violations of anti-corruption laws and related matters as well as remediation activities. Pensions in fiscal 2009 includes (106) related to our mandatory membership in the German pension insurance association Pensionssicherungsverein (PSV). Increased insurance costs are primarily caused by a large number of insolvencies of other PSV members.

In fiscal 2008, *Corporate items* include 1,081 expense due to the SG&A restructuring program, see Note 5, as well as 1 billion in estimated fines in connection with settlement negotiations of legal matters with authorities in Germany and the U.S., 430 in fees for outside advisors engaged in connection with investigations into alleged violations of anti-corruption laws and related matters as well as remediation activities, see Note 30, and 390 expense for establishing the Siemens Foundation, see Note 7.

The following table reconciles Free cash flow, Additions to intangible assets and property, plant and equipment and Amortization, depreciation and impairments as disclosed in Segment Information to the corresponding consolidated amount for the Company.

	Free cash flow (I)= (II)-(III) Year ended September 30,			**Net cash provided by (used in) operating activities (II) Year ended September 30,**			**Additions to intangible assets and property, plant and equipment (III) Year ended September 30,**			**Amortization, de and impair Year end September**	
	2010	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**
ormation tinuing	7,111	3,786	5,739	9,447	6,246	8,738	(2,336)	(2,460)	(2,999)	2,973	2,839
l Operations	(98)	(145)	(836)	(98)	(145)	(697)			(139)		
pairment										1,145	32
	7,013	**3,641**	**4,903**	**9,349**	**6,101**	**8,041**	**(2,336)**	**(2,460)**	**(3,138)**	**4,118**	**2,871**

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Additional Segment information

For the years ended September 30, 2010, 2009 and 2008, Profit of SFS includes interest income of 621, 642 and 549, respectively and interest expense of 282, 377 and 367, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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38. Information about geographies

	Revenue by location of customer			Revenue by location of companies		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Europe, C.I.S., Africa, Middle East	41,426	43,288	44,895	45,529	47,817	49,432
Americas	20,643	20,754	20,107	20,364	20,215	19,760
Asia, Australia	13,909	12,609	12,325	10,085	8,619	8,135
Siemens	**75,978**	**76,651**	**77,327**	**75,978**	**76,651**	**77,327**
thereof Germany	*11,432*	*11,525*	*12,797*	*19,715*	*20,357*	*21,160*
thereof foreign countries	*64,547*	*65,126*	*64,530*	*56,263*	*56,294*	*56,167*
thereof U.S.	*14,772*	*15,684*	*14,847*	*15,915*	*16,387*	*15,610*

	Non-current assets September 30,		
	2010	**2009**	**2008**
Europe, C.I.S., Africa, Middle East	16,587	16,509	16,686
Americas	13,068	13,233	13,796
Asia, Australia	2,825	2,428	2,193
Siemens	**32,480**	**32,170**	**32,675**
thereof Germany	*7,284*	*7,542*	*7,404*
thereof U.S.	*11,729*	*11,977*	*12,600*

Non-current assets consist of property, plant and equipment, goodwill and other intangible assets.

39. Related party transactions

Joint ventures and associates

Siemens has relationships with many joint ventures and associates in the ordinary course of business whereby Siemens buys and sells a wide variety of products and services generally on arm s length terms. For information regarding our subsidiaries, joint ventures and associated companies in fiscal 2010, see Note 19 and Item 19: List of subsidiaries and associated companies . For information regarding our subsidiaries, joint ventures and associated companies in fiscal 2009, please refer to Item 19 of Form 20-F for fiscal 2009 filed with the SEC.

Sales of goods and services and other income from transactions with joint ventures and associates as well as purchases of goods and services and other expense from transactions with joint ventures and associates are as follows:

	Sales of goods and services and other income Year ended September 30,			Purchases of goods and services and other expense Year ended September 30,		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Joint ventures	105	173	265	31	217	731
Associates	920	1,061	960	271	230	171
	1,025	1,234	1,225	302	447	902

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Receivables from joint ventures and associates and liabilities to joint ventures and associates are as follows:

	Receivables September 30,		Liabilities September 30,	
	2010	2009	2010	2009
Joint ventures	35	25	7	13
Associates	172	129	41	73
	207	154	48	86

As of September 30, 2010, loans given to joint ventures and associates amount to 427 in total including a tranche of 250, nominal in relation to a Shareholder Loan Agreement between Siemens and NSN, bearing annual interest of 7.5 percent plus 3-months-EURIBOR due in fiscal 2013, an interest-free loan of 32 granted to NSN, as well as an interest-free loan of 13 granted to EN. As of September 30, 2009, loans given to joint ventures and associates amounted to 869 including three tranches of 250 each in relation to a Shareholder Loan Agreement between Siemens and NSN and an interest-free loan of 26. At the end of March 2010, both Siemens and Nokia converted an amount of 500 each of the Shareholder loan into preferred shares. The conversion resulted in an increase of 500 of our investment in NSN. The conversion does not result in a change to the existing shareholding ratios between Siemens and Nokia. Loans given to joint ventures amount to 4 and 5, respectively, as of September 30, 2010 and 2009. In the normal course of business the Company regularly reviews loans and receivables associated with joint ventures and associates, including NSN. In fiscal 2010 and 2009, the review resulted in net gains related to valuation allowances totaling 25 and net losses related to valuation allowances totaling 37, respectively. As of September 30, 2010 and 2009, valuation allowances amount to 35 and 47, respectively.

As of September 30, 2010 and 2009, guarantees to joint ventures and associates amount to 5,483 and 5,740, respectively, including the HERKULES obligations of 3,090 and 3,490, respectively. For information regarding the HERKULES obligations as well as for information regarding guarantees in connection with the contribution of the carrier related operations into NSN and the SEN operations into EN, see Note 29 Commitments and contingencies. As of September 30, 2010 and 2009, guarantees to joint ventures amount to 511 and 48, respectively. As of September 30, 2010 and 2009, the Company has commitments to make capital contributions of 303 and 247 to its joint ventures and associates, therein 126 and related to joint ventures, respectively. For further information, see Note 29 Commitments and contingencies.

Pension entities

For information regarding the funding of our principal pension plans refer to Note 24. In fiscal 2010, a liability from continuing lease involvement related to a previous sale and lease back transaction with entities controlled by the Siemens Pension-Trust e.V. was derecognized. For further information please refer to Note 6.

Related individuals

Related individuals include the members of the Managing Board and Supervisory Board.

In fiscal 2010, 2009 and 2008 members of the Managing Board received cash compensation of 24.2, 17.9 and 25.9. The fair value of stock-based compensation amounted to 10.0, 9.4 and 10.5, respectively in fiscal 2010, 2009 and 2008. In fiscal 2010, 2009 and 2008 the Company granted contributions under the BSAV to members of the Managing Board totaling 4.3, 4.5 and 15.1. Furthermore members of the Managing Board in fiscal 2010, 2009 and 2008 received termination benefits of , and 21.5, including severance payments and transitional payments.

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Therefore in fiscal 2010, 2009 and 2008, compensation and benefits, attributable to members of the Managing Board amounted to 38.5, 31.8 and 73.0 in total, respectively.

In fiscal 2010 and 2009, expense related to share-based payment and to the Share Matching Program amounted to 8.3 and 5.2, respectively. In fiscal 2008, expense related to share-based payment was 12.0. For further information regarding the Share Matching Program, see Note 34.

In addition, in fiscal 2009 a post-contractual non-compete agreement was signed with a former member of the Managing Board that is effective for a period of 16 months beginning on December 1, 2008. As compensation for this, a total amount of U.S.$2,769,995 (approximately 2.1) will be paid. Of this total, he received U.S.$1,846,667 as a one-time payment in December 2008; the rest will be paid in monthly installments of U.S.$57,708 each.

Compensation attributable to members of the Supervisory Board comprises fixed-compensation, short-term variable compensation and long-term variable compensation. In fiscal 2010, 2009 and 2008, compensation, attributable to members of the Supervisory Board amounted to 4.0, 3.2 and 3.3 in total, therein 0.6, 0.7 and related to long-term variable compensation, respectively.

In fiscal 2007, a guarantee was provided by the Company for a bond issued by a bank in connection with the release from custody of a former member of our Corporate Executive Committee. In fiscal 2008, the guarantee was released.

In fiscal 2010, 2009 and 2008, no other major transactions took place between the Company and the other members of the Managing Board and the Supervisory Board.

In addition, some of the members of the Company s Supervisory Board and Managing Board hold positions of significant responsibility with other entities. Siemens has relationships with almost all of these entities in the ordinary course of business whereby the Company buys and sells a wide variety of products and service on arm s length terms. Dr. Josef Ackermann is the Chairman of the Management Board of Deutsche Bank AG. The Company s transactions with Deutsche Bank AG are conducted on arm s length basis and include securities underwriting, other investment banking services, and credit, money market and foreign exchange business as well as transaction banking services. Michael Diekmann is the Chairman of the Board of Management of Allianz SE. Our transactions with Allianz SE are conducted on arm s length basis and include insurance business and asset management.

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PART III, (CONTINUED)

ITEM 19: EXHIBITS

Separate financial statements of Nokia Siemens Networks B.V. (NSN) required by Rule 3-09 of Regulation S-X will be filed as an amendment to this Form 20-F. We currently expect these financial statements to become available on or before June 30, 2011. Each amendment will be available through the Securities and Exchange Commission s website at www.sec.gov shortly after its filing with the Commission.

Exhibit Number	Description of Exhibit
1.1	English translation of the Articles of Association of Siemens Aktiengesellschaft, updated as of April 2010
2.1	The total amount of long-term debt securities authorized under any instrument does not exceed 10% of the total assets of the Company on a consolidated basis. We hereby agree to furnish to the Commission, upon its request, a copy of any instrument defining the rights of holders of long-term debt of Siemens Aktiengesellschaft or of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.
8.1	List of subsidiaries and associated companies
12.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification of Chief Executive Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Chief Financial Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
15.2	Consent of KPMG AG Wirtschaftsprüfungsgesellschaft

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused the undersigned to sign this annual report on its behalf.

Date: December 2, 2010

Siemens Aktiengesellschaft

/s/ Peter Löscher
Peter Löscher
President and Chief Executive Officer

/s/ Joe Kaeser
Joe Kaeser
Executive Vice President and Chief Financial Officer

/s/ Dr. Klaus Patzak
Dr. Klaus Patzak
Corporate Vice President and Controller

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