SIEMENS AKTIENGESELLSCHAFT
Form 6-K
May 06, 2004

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

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

For May 6, 2004

Commission File Number: 1-15174

Siemens Aktiengesellschaft

(Translation of registrant s name into English)

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

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

Form 20-F x Form 40-F o

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

Yes o No x

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

Yes o No x

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

Yes o No x

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

This report is incorporated by reference into the prospectuses contained in
Registration Statements Nos. 333-13428 and 333-14294 on Form S-8
filed by the registrant under the Securities Act of 1933.

INTRODUCTION

We prepare the Interim Report as an update of our Annual Report, with a focus on the current reporting period. As such, the Interim Report should be read in conjunction with the Annual Report, which includes detailed analysis of our operations and activities.

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Key figures

	2nd quarter[1]		first six months[2]	
	2004	2003	**2004**	2003
Net income *(in millions of euros)*	**1,210**	568	**1,936**	1,089
Earnings per share [3] *(in euros)*	**1.36**	0.64	**2.17**	1.22
Net cash from operating and investing activities *(in millions of euros)*	**3,565**	*1,398*	**2,374**	261
therein: Net cash (used in) provided by operating activities	***2,175***	*1,957*	***1,578***	*1,272*
Net cash (used in) provided by investing activities	***1,390***	*(559)*	***796***	*(1,011)*
Supplemental contributions to pension trusts *(included in net cash from operating activities)*			***(1,255)***	*(442)*
Net proceeds from the sale of Infineon shares *(included in net cash from investing activities)*	***1,794***		***1,794***	
New orders *(in millions of euros)*	**19,716**	19,084	**40,206**	39,229
Sales *(in millions of euros)*	**17,794**	18,230	**36,123**	37,075

	March 31, 2004	September 30, 2003
Employees *(in thousands)*	**415**	417
Germany	**167**	170
International	**248**	247

(1) January 1 March 31, 2004 and 2003, respectively
(2) October 1, 2003 and 2002 March 31, 2004 and 2003, respectively
(3) Earnings per share basic

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MANAGEMENTS DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL RESULTS FOR THE SECOND QUARTER OF FISCAL 2004

Net income was 1.210 billion, up strongly from 568 million in the second fiscal quarter a year ago.

Net income was influenced by a pre-tax gain of 590 million on the sale of shares of Infineon Technologies AG, a goodwill impairment of 433 million related to Siemens Dematic (SD), and a reversal of 246 million in deferred tax liabilities arising as a consequence of the Infineon share sale. Excluding these effects, net income was 807 million, up 42% year-over-year, despite significant charges at Transportation Systems (TS) in its rolling stock business.

Orders of 19.716 billion were up 3% and sales of 17.794 billion were down 2% compared to the second quarter a year earlier. Excluding currency translation effects and the net effect of acquisitions and dispositions, orders increased 5% and sales rose 2%.

Net cash from operating and investing activities rose to 3.565 billion, including 1.794 billion in net proceeds from the sale of Infineon shares.

For the second quarter ended March 31, 2004, Siemens reported net income of 1.210 billion and basic earnings per share of 1.36, compared to 568 million and 0.64 in the second quarter a year earlier. A number of factors influenced net income in the current period. A pre-tax gain of 590 million on the sale of Infineon shares was partly offset by a goodwill impairment of 433 million related to Siemens 2001 acquisition of businesses from Atecs Mannesmann (Atecs), which were merged into Siemens Dematic. In addition, net income also included a reversal of 246 million in deferred tax liabilities arising as a consequence of the Infineon share sale.

In Operations, a majority of Siemens Groups achieved both double-digit profit growth and higher earnings margins compared to the prior-year period. The leading earnings contributors for the quarter included Power Generation (PG), Automation and Drives (A&D), Medical Solutions (Med), Siemens VDO Automotive (SV) and Osram. In contrast, TS recorded a Group profit of a negative 289 million primarily due to charges in its rolling stock business.

Second-quarter orders of 19.716 billion were up 3% from 19.084 billion in the second quarter a year earlier. Sales of 17.794 billion were down 2% from 18.230 billion in the prior-year quarter. Excluding currency translation effects and the net effect of acquisitions and dispositions (i.e., on a comparable basis), orders increased 5% and sales rose 2% year-over-year.

Net cash from operating and investing activities in the second quarter was 3.565 billion, including net proceeds of 1.794 billion from the sale of Infineon shares. Excluding this effect, net cash was still up sharply compared to 1.398 billion in the second quarter a year ago.

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RESULTS OF SIEMENS WORLDWIDE

Results of Siemens worldwide Second quarter of fiscal 2004 compared to second quarter of fiscal 2003

Orders in the second quarter of fiscal 2004 were 19.716 billion compared to 19.084 billion a year earlier, and sales were 17.794 billion compared to 18.230 billion. Excluding currency translation effects and the net effect of acquisitions and dispositions, orders rose 5% and sales were up 2% year-over-year.

Gross profit as a percentage of sales in the second quarter of fiscal 2004 increased to 28.6% from 28.3% in the prior year, driven by higher margins at a majority of Siemens Groups, particularly at PG. Significant charges resulted in a negative gross profit margin at TS.

Research and development (R&D) expense decreased from 1.278 billion to 1.246 billion compared to the prior-year quarter. R&D spending as a percentage of sales was 7.0%, level with the prior-year quarter. Marketing, selling and general administration expenses were 3.213 billion, or 18.1% of sales, compared to 3.232 billion, or 17.7% in the same period a year earlier.

Other operating income (expense), net was a negative 423 million, compared to a positive 69 million in the prior-year period. The current period includes a 433 million goodwill impairment related to the airport logistics and distribution and industry activities acquired from Atecs, while the prior-year period benefited from net gains from project cancellations at PG. Income (loss) from investments in other companies, net was 777 million compared to 24 million in the second quarter a year earlier. The current period included the pre-tax gain of 590 million from the sale of Infineon shares and higher equity earnings at BSH Bosch und Siemens Hausgeräte GmbH. The prior-year period included a negative 127 million from Siemens equity share of Infineon s quarterly net loss.

The effective tax rate on income in the second quarter of fiscal 2004 was a positive 7%, impacted by a 246 million reversal in deferred tax liabilities arising as a consequence of the Infineon share sale, compared to an income tax expense rate of 27% in the second quarter a year ago.

Net income in the second quarter was 1.210 billion, compared to 568 million last year. Net income in the current period was influenced by the pre-tax gain on the sale of Infineon shares, the goodwill impairment and the reversal in deferred tax liabilities, mentioned above. Basic and diluted earnings per share were 1.36 and 1.30, respectively, for the second quarter of fiscal 2004. Basic and diluted earnings per share were 0.64 in the same quarter of fiscal 2003.

Results of Siemens worldwide First six months of fiscal 2004 compared to first six months of fiscal 2003

Orders for the first six months of fiscal 2004 were 40.206 billion, up 2% from 39.229 billion, and sales fell 3% to 36.123 billion from 37.075 billion a year earlier. Excluding currency translation effects and the net effect of acquisitions and dispositions, orders and sales were 6% and 2% higher, respectively. Sales in Germany for the first half of fiscal 2004 were 8.555 billion, up 3% compared to the first half a year earlier, while orders in Germany decreased 1% year-over-year, to 8.605 billion. International sales decreased 4% year-over-year, to 27.568 billion and international orders increased 4%, to 31.601 billion. On a comparable basis, international sales for the first half rose 2% and international orders climbed 8%.

Within international results, sales for the first half of fiscal 2004 in the U.S. of 6.182 billion were 22% lower compared to the same period a year earlier, due primarily to the end of the gas turbine boom in the U.S. Orders of 6.597 billion were 13% lower year-over-year. Excluding currency translation effects, U.S. sales were 9% lower and U.S. orders were up 2% year-over-year. Sales in Asia-Pacific for the first six months remained stable year-over-year, at 4.307 billion, and orders decreased 2%, to 4.819 billion. Excluding currency translation effects, sales in the

Asia-Pacific region rose 7% and orders rose 5%. Sales in China were 1.311 billion, 3% below the prior-year level, while orders reached 1.524 billion, up 16%. Excluding currency translation effects, sales rose 6% and orders climbed 27%.

Gross profit as a percentage of sales in the first half of fiscal 2004 increased to 29.2% from 28.2% in the prior-year period. The improvement resulted from higher margins in the current six months at a majority of Siemens Groups. TS reported a significant lower margin compared to the prior year. The prior-year period included higher allowances on inventory, particularly at PG, related in part to project cancellations.

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Other operating income (expense), net was a negative 324 million compared to a positive 284 million in the first half of fiscal 2003, which included significant net gains from project cancellations at PG. The current period primarily includes the 433 million goodwill impairment in the second quarter and gains from portfolio activities, particularly related to the sale of Med s Life Support Systems (LSS) business. Income (loss) from investments in other companies, net was a positive 882 million compared to a positive 28 million in the first half of the prior year. The current year included the pre-tax gain of 590 million from the sale of Infineon shares. In addition, the first half of fiscal 2004 includes higher equity earnings, particularly at BSH Bosch und Siemens Hausgeräte GmbH and Infineon, in which Siemens equity share of Infineon s results turned positive compared to a negative 144 million in the prior-year period.

The effective tax rate in the first half of fiscal 2004 was approximately 10%, positively impacted by the second quarter reversal in deferred tax liabilities and the sale of LSS by Med, compared to 32% in the same period a year ago.

Net income for the first six months of fiscal 2004 increased to 1.936 billion, up from 1.089 billion a year earlier. The current period improvement was primarily influenced by the factors noted above. Basic and diluted earnings per share were 2.17 and 2.08, respectively, for the first six months of this year. Basic and diluted earnings per share in the same period a year ago were 1.22.

As a result of the adoption of Statement of Financial Accounting Standards (SFAS) 143, *Accounting for Asset Retirement Obligations*, on October 1, 2002, the income in the first six months of fiscal 2003 includes 59 million (36 million net of income taxes, or 0.04 per share) which was recorded as a cumulative effect of a change in accounting principle.

DISPOSITION

In the first quarter of fiscal 2004, Med realized 116 million in gains from portfolio transactions. Included in this amount was a pre-tax gain of 100 million in connection with Med s sale of its LSS business to Getinge AB, Sweden. Net proceeds from the sale totaled 171 million as of March 31, 2004. As stipulated by the contribution agreement for the joint venture Draeger Medical AG & Co. KGaA (Draeger), Siemens contributed to Draeger these net proceeds less expected taxes on the sale.

SEGMENT INFORMATION ANALYSIS

Operations

Information and Communications

Information and Communication Networks (ICN)

	Second quarter ended March 31,				Six months ended March 31,			
			% Change				% Change	
(in millions)	2004	2003	Actual	Comparable*	2004	2003	Actual	Comparable**
Group profit	37	(147)			88	(298)		
Group profit margin	2.3%	(8.8)%			2.7%	(8.6)%		

Sales	1,618	1,679	(4)%	(1)%	3,318	3,483	(5)%	(2)%
New orders	1,773	1,689	5%	7%	3,622	3,629	0%	3%

* Excluding currency translation effects of (3)% on sales and currency translation effects of (3)% and portfolio effects of 1% on orders.

** Excluding currency translation effects of (3)% on sales and currency translation effects of (4)% and portfolio effects of 1% on orders.

ICN posted another sharply improved quarter year-over-year, reflecting the positive impact of previous restructuring efforts. The earnings turn-around was most evident in ICN s Carrier Networks and Services business, which recorded a 5 million profit on sales of 753 million compared to a loss of 180 million on sales of 797 million in the second quarter a year earlier. The Enterprise Networks division earned 46 million on sales of 867 million compared to 49 million on sales of 887 million in the prior-year quarter. For ICN overall, second-quarter sales were nearly level with the prior year on a comparable basis. Orders rose year-over-year, particularly at the Carrier Networks division.

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In the first half of fiscal 2004, ICN recorded Group profit of 88 million as the Carrier Networks and Services business was profitable and Enterprise Networks remained solidly in the black. The prior-year period loss of 298 million included significant charges for severance and asset write-downs. First-half sales were somewhat lower year-over-year and orders rose slightly compared to the same period a year earlier.

Information and Communication Mobile (ICM)

	Second quarter ended March 31,				Six months ended March 31,			
			% Change				% Change	
(in millions)	2004	2003	Actual	Comparable*	2004	2003	Actual	Comparable*
Group profit	109	55	98%		232	114	104%	
Group profit margin	4.1%	2.4%			4.1%	2.2%		
Sales	2,661	2,329	14%	17%	5,618	5,185	8%	11%
New orders	2,713	2,300	18%	20%	5,735	4,809	19%	22%

* Excluding currency translation effects.

ICM nearly doubled its second-quarter Group profit year-over-year, to 109 million, combining double-digit sales growth with higher earnings margins. The Mobile Networks division led the way with 76 million in profits on sales of 1.163 billion, compared to 44 million on sales of 1.067 billion a year earlier. The Mobile Phones division increased sales 26%, to 1.243 billion, and profits rose to 13 million from 2 million, despite a lower average selling price per unit compared to the prior-year quarter. Handset volume rose to 12.8 million units from 8.0 million in the same period a year earlier. Average selling price remained stable compared to the first quarter of this fiscal year (the seasonally strong Christmas quarter), when handset volume was 15.2 million units. For ICM as a whole, second-quarter sales rose 14% to 2.661 billion, and second-quarter orders climbed 18% to 2.713 billion.

In the first half of fiscal 2004, ICM more than doubled Group profit to 232 million from 114 million in the same period of fiscal 2003. The Mobile Networks division contributed the major portion of the increase, with earnings of 102 million compared to 20 million in the first half a year earlier, which included a net positive effect relating primarily to a reduction in customer financing exposure. The Mobile Phones division also improved first-half earnings year-over-year, to 77 million from 54 million. The division sold 28.0 million handsets in the first half compared to 19.0 million in the prior-year period, resulting in a 19% increase in sales, to 2.729 billion. For ICM overall, first-half sales rose 8% to 5.618 billion and orders rose 19%, to 5.735 billion, as the Group kept pace in an expanding market for wireless communications.

Siemens Business Services (SBS)

	Second quarter ended March 31,				Six months ended March 31,			
			% Change				% Change	

(in millions)	2004	2003	Actual	Comparable*	2004	2003	Actual	Comparable*
Group profit	26	25	4%		70	37	89%	
Group profit margin	2.3%	1.9%			3.0%	1.4%		
Sales	1,121	1,338	(16)%	(15)%	2,331	2,605	(11)%	(9)%
New orders	1,334	1,291	3%	5%	2,733	2,685	2%	4%

* Excluding currency translation effects.

Group profit of 26 million at SBS rose 4% compared to the second quarter a year earlier, as the Group countered volume-driven pressure on earnings with cost-reduction measures. Sales declined year-over-year, to 1.121 billion, while orders rose to 1.334 billion on the strength of large new contracts in Europe.

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SBS improved its Group profit for the first six months to 70 million from 37 million a year earlier. While sales were lower than in the prior-year period, first-half orders rose 2% year-over-year on the strength of large new contracts in Europe.

Automation & Control

Automation and Drives (A&D)

	Second quarter ended March 31,				Six months ended March 31,			
			% Change				% Change	
(in millions)	2004	2003	Actual	Comparable*	2004	2003	Actual	Comparable**
Group profit	235	184	28%		456	363	26%	
Group profit margin	11.2%	9.0%			11.0%	9.0%		
Sales	2,102	2,034	3%	5%	4,152	4,016	3%	6%
New orders	2,180	2,155	1%	3%	4,380	4,389	0%	3%

* Excluding currency translation effects of (3)% and portfolio effects of 1%.

** Excluding currency translation effects of (4)% and portfolio effects of 1%.

A&D continued to increase its operating leverage in the second quarter, achieving a 28% increase in Group profit, to 235 million, on a 3% rise in sales. As in recent quarters, higher productivity and a streamlined cost structure enabled A&D to increase earnings in a difficult market environment. The Industrial Automation Systems and Motion Control Systems divisions were leading contributors to Group profit, and improving profitability in the U.S. also contributed to A&D s earnings growth. Sales rose to 2.102 billion and orders were also up year-over-year, at 2.180 billion.

In the first half of fiscal 2004, A&D increased Group profit 26%, to 456 million, compared to the same period a year earlier. First-half sales rose 3% to 4.152 billion and orders were level year-over-year, at 4.380 billion. Excluding currency translation and portfolio effects, sales were up 6% and orders rose 3% for the first half-year.

Industrial Solutions and Services (I&S)

	Second quarter ended March 31,				Six months ended March 31,			
			% Change				% Change	
(in millions)	2004	2003	Actual	Comparable*	2004	2003	Actual	Comparable*
Group profit	26	4			41	(29)		
Group profit margin	2.6%	0.4%			2.1%	(1.5)%		

Sales	983	990	(1)%	2%	1,980	1,919	3%	6%
New orders	1,085	1,018	7%	10%	2,214	2,085	6%	10%

* Excluding currency translation effects.

I&S posted 26 million in Group profit in the second quarter, as the Group benefited from higher productivity resulting from previous restructuring efforts. Sales were level with the second quarter a year earlier, while orders rose 10% year-over-year on a comparable basis, benefiting from major new orders in China. I&S continues to streamline its business portfolio.

Group profit for the first six months was a positive 41 million compared to a negative 29 million a year earlier, which included 35 million in charges primarily for severance payments. First-half sales rose 3%, to 1.980 billion, and first-half orders increased 6% year-over-year, to 2.214 billion.

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Siemens Dematic (SD)

	Second quarter ended March 31,				Six months ended March 31,			
			% Change				% Change	
(in millions)	2004	2003	Actual	Comparable*	2004	2003	Actual	Comparable**
Group profit	(30)	12			(67)	24		
Group profit margin	(6.0)%	1.8%			(6.4)%	1.9%		
Sales	503	658	(24)%	(20)%	1,045	1,280	(18)%	(13)%
New orders	761	614	24%	35%	1,622	1,226	32%	40%

* Excluding currency translation effects of (5)% and (12)% on sales and orders, respectively, and portfolio effects of 1% on sales and orders.

** Excluding currency translation effects of (6)% and (10)% on sales and orders, respectively, and portfolio effects of 1% and 2% on sales and orders, respectively.

Group profit at SD was a negative 30 million in the second quarter, despite higher earnings on stronger sales at the Electronics Assembly division. Overall results for SD were driven by a combination of factors including excess capacity and project cost overruns. Following an extensive internal review of the outlook for the SD s airport logistics activities and distribution and industry activities, management concluded that goodwill related to SD was impaired. Because these businesses were acquired at the corporate level as part of Siemens Atecs Mannesmann transaction, the resulting goodwill impairment was taken centrally. For additional information see Corporate items, pensions and eliminations. Sales of 503 million for SD were substantially lower than in the same period a year earlier, while a major new contract with the U.S. Postal Service increased orders by 35% year-over-year on a comparable basis.

SD posted a loss of 67 million, reflecting significant charges during the first six months of the current year, primarily related to major projects. Group profit was a positive 24 million in the first half a year earlier. Sales fell to 1.045 billion, primarily due to the Airport Logistics and the Distribution & Industry Logistics divisions. First-half orders increased substantially year-over-year, to 1.622 billion, benefiting from a large order in each of the two quarters of the current year.

Siemens Building Technologies (SBT)

	Second quarter ended March 31,				Six months ended March 31,			
			% Change				% Change	
(in millions)	2004	2003	Actual	Comparable*	2004	2003	Actual	Comparable**
Group profit	16	2			55	45	22%	

Group profit margin	1.6%	0.2%			2.7%	1.8%		
Sales	996	1,228	(19)%	(8)%	2,036	2,434	(16)%	(4)%
New orders	1,030	1,238	(17)%	(5)%	2,135	2,492	(14)%	(2)%

* Excluding currency translation effects of (4)% and (5)% on sales and orders, respectively, and portfolio effects of (7)% on sales and orders.

** Excluding currency translation effects of (5)% and portfolio effects of (7)%.

In the second quarter, SBT posted higher Group profit on lower sales year-over-year, reflecting the streamlining of its business portfolio between the periods under review. Sales and orders, at 996 million and 1.030 billion, respectively, were lower in comparison to the prior year primarily due to first-quarter divestiture of SBT s facility management activities, coupled with currency translation effects and a weak construction market in Europe.

Group profit for the first six months rose to 55 million from 45 million in the same period a year earlier, which included charges for severance and associated asset write-downs. Reflecting generally weak market conditions, negative currency translation effects, and the divestiture of businesses between the two periods under review, SBT s first-half sales fell to 2.036 billion and first-half orders decreased to 2.135 billion.

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Power

Power Generation (PG)

	Second quarter ended March 31,				Six months ended March 31,			
			% Change				% Change	
(in millions)	2004	2003	Actual	Comparable*	2004	2003	Actual	Comparable**
Group profit	274	262	5%		519	671	(23)%	
Group profit margin	16.0%	15.5%			14.4%	19.3%		
Sales	1,713	1,691	1%	(7)%	3,615	3,476	4%	(4)%
New orders	2,414	2,213	9%	(8)%	5,090	4,483	14%	1%