Siemens Financieringsmaatschappij N.V.

Annual Report 2006

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SIEMENS

Statement of the Board of Directors

Herewith we present both the consolidated and the company financial statements of Siemens Financieringsmaatschappij N.V. as of September 30, 2006. These financial statements are prepared according to the International Financial Reporting Standards.

General

Siemens Financieringsmaatschappij N.V. ("the Company") is registered in The Hague, Prinses Beatrixlaan 800, a public company, founded on September 14, 1977 under the laws of the Netherlands and acts under its legal and commercial name Siemens Financieringsmaatschappij N.V. The Company act as a finance company for the benefit of Siemens AG Group companies and third parties. As at September 30, 2005, the Company is a 100% subsidiary of Siemens AG Berlin/ Munich. Siemens Financieringsmaatschappij N.V. holds 100% of the shares in Siemens Finance B.V. a public company with limited liability registered at the same address. Siemens Finance B.V. has similar activities as the Company and actually holds an issued EUR 2.5 billion convertible Note. During fiscal year 2005 - 2006 the shares in Siemens Capital B.V. were sold by Siemens Financieringsmaatschappij N.V. to Siemens AG.

Objectives

The objects of the company, in accordance to article 2 of the Articles of Association, are participating in, financing and managing companies, enterprises and other business undertakings, withdrawing and lending money and, in general conducting financial transactions, giving securities and doing all such further acts and things as are incidental or may be conducive thereto in the broadest sense.

Strategy

The Company is the main funding party of Siemens AG and offers finance solutions mainly for general purposes of the borrower.
Interest risks and foreign exchange risks have to be covered by back to back funding, or effective hedging instruments have to be in place.
The needed funding is managed by borrowing from the money and capital markets by issuing loans, bonds, notes and commercial paper.
The Company will continue its activities as financing company within the Siemens Group. Given its interrelatedness with the Siemens Group, management refrains from commenting on the activity level and expected results for the near future.

Risk management
The Board of Directors is responsible for the internal control and the management of risks within the company and for the assessment of the effectiveness of these control systems. Such control systems were set up in cooperation with Siemens AG to identify and subsequently manage the credit, interest and foreign exchange rate risks which could endanger the realization of the objectives of the company.

Interest rate risks and exchange rate risks related to loans and receivables are hedged if no back to back funding is in place. If the Company lends to other companies than Siemens AG the credit risk of these loans are in principle covered by a guarantee of Siemens AG.

Business Review
In fiscal year 2005 - 2006, Siemens Financieringsmaatschappij N.V. issued 45 Commercial Papers under the USD 3.0 billion Siemens Commercial Paper Program totaling an amount of USD 1.6 billion, covering revolving short term financing needs of the Siemens Group. At balance date all commercial papers were matured and paid back.

The Medium Term Note program of Siemens AG in which the Company participates was updated in March 2006 and extended to a maximum of EUR 5.0 billion. Two loans of USD 0.5 billion each were issued by the Company.

In August 2006 a package of 4 long term loans totaling USD 5.0 billion was issued. Two subordinated loans of EUR 0.9 billion and GBP 0.750 billion were issued in September 2006. The remaining EUR 1.6 billion as part of a EUR 2.0 billion Note matured in July 2006 and was repaid.

In August 2006 the credit facility program under which Siemens may draw was increased with USD 4.0 billion, bringing the total facility at USD 9.0 billion. Besides that, a separate facility of EUR 0.450 million exists. No withdrawal has taken place so far ever.

The existing CHF 0.250 billion loan and the EUR 0.997 billion bond will mature in the first half year of 2007.

As a consequence of the transition from Dutch GAAP to IFRS the valuation of Bonds and the related hedging instruments differs from last year; the differences are explained in the notes to the financial statements.

Other items
All personnel are employed by the regional company Siemens Nederland N.V.

The Hague, January 30, 2007

On behalf of the Board of Directors

B.G. Trompert	J.W. Hesselink
Managing Director	Managing Director

Report of the Supervisory Board to the shareholders

General
The Supervisory Board supervises the policies of, and their execution by, the Board of Directors as well as the general affairs of Siemens Financieringsmaatschappij N.V. and consolidated companies. In addition, the Supervisory Board assists the Board of Directors by providing advice.

In accordance with Dutch legal provisions, the Supervisory Board of the Company is an independent body within the Company, which role it is to judge independently the course of affairs of the Company. The members of the Supervisory Board may take independent views vis-à-vis the Board of Directors.

The Supervisory Board discharges its role guided by the interests of the Company and has an obligation to take into account the interests of all relevant stakeholders of Siemens Financieringsmaatschappij N.V. The Supervisory Board is responsible for guarding the quality of its own performance. If necessary the Supervisory Board, at the Company's expense, may hire third-party specialists for professional advice.

Annual report 2006
Hereby we present both the Consolidated financial statements and the Company financial statements of Siemens Financieringsmaatschappij N.V. and its wholly owned subsidiary Siemens Finance B.V. as of September 30, 2006, as prepared by the Board of Directors and adopted by the Supervisory Board, as well as all other legally required information concerning the Company. The financial statements for 2006 were audited by KPMG Accountants N.V., which issued an unqualified auditors' report, which can be found on the last pages of this report.

At the forthcoming Annual General Meeting of Shareholders we recommend that you approve the Annual Report for 2006 in accordance with the documents as presented. In compliance with Article 18, paragraph 6 of the Articles of Association, we propose to adopt the Annual report and discharge the members of the Supervisory Board and members of the Board of Directors.
Furthermore we propose that you approve the proposal of the Board of Directors concerning the result appropriation.

Finally, we would like to thank the management of the Company for their efforts and commitment to the success of Siemens Financieringsmaatschappij N.V. and consolidated companies.

The Hague, January 30, 2007

For the Supervisory Board

J.-C. Kieffer H.P. Rupprecht

Siemens Financieringsmaatschappij N.V.

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Siemens Financieringsmaatschappij N.V

CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2006
(in thousands of EUR, except where otherwise stated)

Consolidated Statement of Income

	Notes	Year ended September 30, 2006	2005
Interest income	4	394,132	182,497
Interest expenses	5	(273,923)	(214,382)
Net balance of fair value measurement of financial instruments	7	(214,957)	139,308
Total operating income		**(94,748)**	**107,423**
Miscellaneous income and expenses	8	(634)	(407)
Profit before tax		**(95,382)**	**107,016**
Income tax expense	9	28,858	(32,397)
Profit for the period			
Attributable to equity holders of the parent		**(66,524)**	**74,619**

Siemens Financieringsmaatschappij N.V

CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2006
(in thousands of EUR, except where otherwise stated)

Consolidated Balance sheet
(before appropriation of result)

ASSETS	**Notes**	**September 30, 2006**	**2005**
Current assets			
Cash and Cash equivalents		-	18
Receivables from Associates	11	9,958,231	5,091,928
Derivative assets	12	305,496	406,818
		10,263,727	**5,498,764**
Non-current assets			
Loans to Associates	13	2,496,700	2,500,000
Deferred tax assets	9	1,294	-
		2,497,994	**2,500,000**
Total assets		**12,761,721**	**7,998,764**

LIABILITIES AND EQUITY	**Notes**	**September 30, 2006**	**2005**
Current liabilities			
Short term debt and current maturities of long term debt	14	1,161,181	1,856,017
Liabilities to Associates	15	39,005	63,790
Tax accruals	9	238	911
Other current financial liabilities	16	118,808	92,199
		1,319,232	**2,012,917**
Long term liabilities			
Long term debt	14	11,425,169	5,865,010
Deferred Income Tax		-	30,437
		11,425,169	**5,895,447**
Shareholders' equity			
Issued and paid in share capital	17	10,256	10,256
Share premium reserve		1,561	1,561
Retained earnings		72,027	3,964
Undistributed profit		(66,524)	74,619
		17,320	**90,400**
Total liabilities and equity		**12,761,721**	**7,998,764**

Siemens Financieringsmaatschappij N.V

CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2006
(in thousands of EUR, except where otherwise stated)

Consolidated Statement of Cash Flow

	Notes	Year ended September 30, 2006	2005
Cash flows from operating activities			
Profit before taxation		(95,382)	107,016
Proceeds from issuance of notes	14	6,703,235	-
Repayment of notes	14	(1,595,457)	-
Proceeds from issuance of commercial paper, net	14	(235,189)	219,275
Payment of transaction cost		(34,160)	-
(Increase) decrease in receivables from Associates	11	(4,847,237)	(251,206)
Increase (decrease) in liabilities to Associates	15	(24,785)	(38,548)
(Increase) decrease in derivative assets	12	101,322	40,156
(Increase) decrease in loans to Associates	13	3,300	-
Increase (decrease) in other current financial liabilities	16	26,609	1,527
Increase (decrease) in fair value of notes	14	26,894	(86,782)
Income taxes paid		(3,493)	(2,318)
Net cash provided by operating activities		**25.657**	**(10,880)**
Cash flows from investing activities			
Divestment of subsidiary	2	2.100	-
Net cash provided by investing activities		**2.100**	**-**
Cash flows from financing activities			
Dividends paid		(6,556)	(4,608)
Net cash (used in) provided by financing activities		**(6,556)**	**(4,608)**
Net (decrease) increase in cash and cash equivalents		**21,201**	**(15,488)**
Cash and cash equivalents at beginning of year		26,081	41,569
Cash and cash equivalents at end of year		**47,282**	**26,081**

(in thousands of EUR, except where otherwise stated)

Consolidated Statement of Changes in Equity

	Issued and paid-in capital	Share premium reserve	Retained earnings	Undis-tributed profit	Total
Balance as at October 1, 2004	10,256	1,561	3,964	4,608	20,389
Appropriation of undistributed profit	-	-	4,608	(4,608)	-
Dividend	-	-	(4,608)	-	(4,608)
Profit for the year ended September 30, 2005	-	-	-	74,619	74,619
Balance as at September 30, 2005	10,256	1,561	3,964	74,619	90,400
Appropriation of undistributed profit	-	-	74,619	(74,619)	-
Dividend	-	-	(6,556)	-	(6,556)
Profit for the year ended September 30, 2006	-	-	-	(66,524)	(66,524)
Balance as at September 30, 2006	10,256	1,561	72,027	(66,524)	17,320

Notes to the Consolidated Financial Statements

1. Basis of presentation

Reporting entity

Siemens Financieringsmaatschappij N.V. (the Company or SFM) is a company domiciled in the Netherlands. The address of the Company's registered office is Prinses Beatrixlaan 800, 2595 BN, The Hague, Netherlands. The company is registered in the Commercial Register at September 14, 1977, number 27092998. July 26, 2006 the shares in Siemens Capital B.V. were sold by Siemens Financieringsmaatschappij N.V. to Siemens AG.

The consolidated financial statements of the Company as at and for the year ended September 30, 2006 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group primarily is involved in the financing of Siemens AG Group companies.

The accompanying Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU). These are the Company's first consolidated financial statements under IFRS. The effects of the adoption of IFRS on the financial position, results of operations and cash flows of SFM as presented herein are described below.

SFM applied all standards and interpretations that were effective as of September 30, 2006.

The financial statements were authorised for issue by the Managing Board on January 30, 2007.

Explanation of transition to IFRS

SFM applied IFRS 1, First-time adoption of International Financial Reporting Standards in making the transition to IFRS, with October 1, 2004 as the date of transition to IFRS.

IFRS 1 requires that all IFRS standards and interpretations that are effective for the first IFRS consolidated financial statements for the year ended September 30, 2006 be applied consistently and retrospectively for all fiscal years presented.

Changes in presentation of financial statements

The presentation of the financial statements has been modified in line with IAS 1. Under IFRS, transaction costs are presented within short- and long-term debt, whereas under Dutch GAAP these costs were presented within non-current assets.

Reconciliation of equity and net income from Dutch GAAP to IFRS

The following reconciliation describes the effect of the major differences between IFRS and Dutch GAAP on the opening equity as of October 1, 2004 and the equity as of September 30, 2005, as well as on net income for the fiscal year.

(in thousands of EUR, except where otherwise stated)

	Notes	Balance sheet September 30, 2005	Opening balance sheet as of October 1, 2004
Equity under Dutch GAAP		**23,515**	**20,389**
Derivatives	a	95,751	-
Deferred taxes	b	(28,866)	-
Equity under IFRS		**90,400**	**20,389**

	Notes	Year ended September 30, 2005
Net income under Dutch GAAP		**7,734**
Derivatives	a	95,751
Deferred taxes	b	(28,866)
Net income under IFRS		**74,619**

a. Derivatives/Hedge accounting

The „short-cut-method“ that can be applied under Dutch GAAP to assess the hedge effectiveness of interest rate hedges, if certain conditions are met, is not allowed under IFRS. As the requirements for the application of hedge accounting under IFRS are more restrictive, the accounting as fair value hedges for certain transactions with interest rate swaps had to be discontinued. IFRS 1 requires that the corresponding basis adjustments recognized under Dutch GAAP as of September 30, 2004 are carried forward to the IFRS opening balance and are deferred over the remaining life of the related instrument. The termination of hedge accounting resulted in an increasing effect on equity and net income of EUR 95,751 as of September 30, 2005.

b. Deferred taxes

The adjustment as described above resulted in differences between the carrying amount of assets and liabilities in the consolidated financial statements and their tax bases. Deferred taxes were recognized on temporary differences.

Impact on the Consolidated Statements of Cash Flow

The adjustments made to consolidated statements of cash flow have no impact on the net change in cash and cash equivalents.
Also, under IFRS, cash flows for income taxes as well as interest and dividends received are presented separately within Net cash provided by (used in) operating activities.

(in thousands of EUR, except where otherwise stated)

2. Summary of significant accounting policies

The consolidated financial statements have been prepared on the historical cost basis unless indicated otherwise below.

Basis of consolidation— The Consolidated Financial Statements include the accounts of SFM and its subsidiaries which are directly or indirectly controlled. Control is generally conveyed by ownership of the majority of voting rights. Siemens Capital B.V. was consolidated up to the sale on July 26, 2006

Associates – Siemens Group companies that are consolidated in the Siemens AG consolidated financial statements.

Transactions eliminated on consolidation - Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

Functional and presentation currency - These Consolidated Financial Statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand, unless otherwise stated.

Transactions in foreign currencies are recorded at the rates prevailing at the dates of the individual transactions. At the end of the accounting period the unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the year-end. Exchange rate differences arising on translation are recognised in the income statement.

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

		Year-end exchange rate1 EUR quoted into currencies specified below September 30,		Annual average rate 1 EUR quoted into currencies specified below fiscal year ending	
Currency	**ISO Code**	**2006**	**2005**	**2006**	**2005**
U.S. Dollar...	USD	1.266	1.204	1.230	1.273
British pound...	GBP	0.678	0.682	0.685	0.688
Swiss Franc	CHF	1.588	1.556	1.561	1.542

Impairment—The carrying amount of the Company's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. The Company's assets mainly consist of receivables from Siemens Group companies and subsidiaries. If any indication to impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.
Since the companies (current and non-current) receivables mainly consist of balances due from companies of the Siemens Group, valuation/ collectibility of these receivables depends upon the financial position and credit worthiness of the involved companies and of the Siemens Group as a whole.

Income Taxes—The Company applies IAS 12, Income Taxes. Under the asset and 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 laws 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.

Financial instruments—A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another entity. Financial assets mainly include cash and cash equivalents, receivables from Associates and derivative assets with a positive market value. Financial liabilities mainly comprise notes and bonds, commercial paper and derivative financial instruments with a negative market value.
Financial instruments are recognized on the balance sheet when a Group entity becomes a party to the contractual obligations of the instrument.
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. Subsequently, financial instruments are measured according to the category to which they are assigned.

Fair valuing principles—Interest rate and currency swaps are valued by using discounted cash flow models. Forward foreign exchange contracts are valued with the forward exchange rate. Changes in fair value are calculated by comparing this with the original amount calculated by using the contract forward rate prevailing at the beginning of the contract. Changes in fair value on these instruments are reported in the income statement.

The calculation of fair values for derivative financial instruments depends on the type of instruments:

Derivative instruments—Derivative financial instruments are measured at fair value. Derivative financial 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, net of applicable deferred income taxes. In accordance with its treasury policy, SFM does not hold or issue derivative financial instruments for speculative purposes.

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 curve over the remaining term of the instrument.

Derivative currency contracts—The fair value of forward foreign exchange contracts is based on forward exchange rates.

Fair value hedges—In the case of fair value hedges, the carrying amount of the hedged instrument is adjusted by the gain or loss attributable to the hedged risk.

In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for speculative purposes. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Related party transactions—The transactions of the company comprise mainly transactions with related parties (Siemens Group companies) and are priced at an “arms length” basis, unless indicated otherwise.

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.

Loans and receivables—Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method.
As Siemens AG has undertaken to grant directly and irrevocably to each noteholder the right to convert the convertible notes, Siemens Finance B.V. has no obligation to convert the notes in accordance with the terms and conditions of the notes, only an obligation to pay interest and redeem the notes. Therefore Siemens Finance B.V. accounts for the convertible notes as a straight bond.

The Company lends the proceeds of all other notes and bonds to related parties on a short term basis. The carrying amount of these loans and receivables, net of allowances, approximates the fair value of the notes and bonds.

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

Cost recognition—Miscellaneous income and expenses, interest expense and expenses are accounted for in the period to which they relate.

Solvency – Given the objectives of the company, the company is economically interrelated with the ultimate holding company, Siemens AG. In assessing the solvency of the Company also the solvency of the Siemens AG Group as a whole needs to be considered.

Dividends—Dividends proposed by the Board of Directors are not recorded in the financial statements until the Annual General meeting of the Supervisory Board has approved the proposal.

Geographical segments—In accordance with IAS 14, the Company presents segment information. Segment information is presented in respect of the Company’s business and geographical segments. Due to the fact that the Company’s activities consist only of financing activities, the geographical segment is considered to be the primary format. The clients of the Company are based in Europe and the United States of America. Note [4] provides an overview of the interest income and interest expense per segment.

Cash Pool—The form of the cash pools is zero-balancing where all account balances are automatically transferred to one control account held by Siemens AG. Funds moving into these accounts create inter-company loans between the Company and Siemens AG. In the Statement of Cash Flow cash and cash equivalents are related to these inter-company balances.

(in thousands of EUR, except where otherwise stated)

Cash Flow—The Statement of Cash Flow shows how the cash and cash equivalents of the Company have changed in the course of the year as a result of cash inflows and cash outflows. Cash flows are classified into cash flows from operating, investing and financing activities.
The company's purpose is to assist the financing of the activities conducted by companies of the Siemens Group. The assistance is considered to be an operating activity of the Company. The cash flow from operating activities is computed using the indirect method, starting from the net income of the Company. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects. The cash flows from investing and financing activities are based on actual payments and receipts.

Dispositions— July 26, 2006 the Company sold its interest in Siemens Capital B.V. to Siemens AG. Siemens Capital B.V, was consolidated in the Company's figures up to July 26, 2006.

The consideration received amounted to EUR 2.1 million which value was based on the net equity value of Siemens Capital B.V. as in July 2006. The transfer resulted in a book result of EUR 0.1 million.

In order to make an assessment of the effect of the disposition on individual assets and liabilities of the Group, the following table summarizes the consolidated balances as at September 30, 2006:

	September 30, 2005
Receivables from Associates	46.011
Liabilities to Associates	(43.846)
Tax accruals	(53)
Undistributed profit	(112)
Net identifiable assets and liabilities	2.000

The accounting policies set out above have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

3. Management estimates and judgments

Certain 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 financial condition or results of operations. Critical accounting estimates could also involve estimates where management reasonably could have used a different estimate in the current accounting period. Although the number and complexity of management estimates and judgments are limited in these accounts, management cautions that future events often vary from forecasts and that estimates routinely require adjustment.

(in thousands of EUR, except where otherwise stated)

4. Interest Income

Interest income per segment	Year ended September 30, 2006	2005
The Netherlands	16,883	10,058
Rest of Europe	207,180	86,230
United States of America	170,069	86,209
Total interest income	**394,132**	**182,497**

5. Interest Expenses

Interest expenses per segment	Year ended September 30, 2006	2005
The Netherlands	(1,279)	(1,848)
Rest of Europe	(271,886)	(212,534)
United States of America	(758)	-
Total interest expense	**(273,923)**	**(214,382)**

6. Interest, net per segment

Interest, net per segment	Year ended September 30, 2006	2005
The Netherlands	15,604	8,210
Rest of Europe	(64,706)	(126,304)
United States of America	169,311	86,209
Total interest net	**120,209**	**(31,885)**

7. Net balance of fair value measurement of financial instruments

Interest, net per segment	Year ended September 30, 2006	2005
Gains/losses from interest derivates non hedge accounting	(187,385)	80,477
Gains/losses from valuation from liabilities with Associates	(55,026)	82,543
Other	27,454	(23,712)
Total interest net	**(214,957)**	**139,308**

(in thousands of EUR, except where otherwise stated)

8. Miscellaneous income and expenses

Due to the issuance of 3 major loans in fiscal year 2005/2006 an increase of general and administrative expenses occurred.

9. Income tax expense

Siemens Financieringsmaatschappij N.V. is the head of a fiscal unity for corporate income tax. As a consequence Siemens Financieringsmaatschappij N.V. is liable for any debt arising for any other member of the fiscal unity.

Taxes are based on the applicable tax laws and rates, taking into account any fiscal facilities. Insofar as valuations for tax purposes differ from the principles as applied in these financial statements, and these result in deferred tax liabilities, a provision is formed for these liabilities, calculated according to the corporation tax rate applicable as at balance sheet date. The taxation on result comprises both taxes payable in the short term and deferred taxes, taking account of tax facilities and non-deductible costs.

Income tax expense (benefit) consists of the following:

	Year ended September 30,	
	2006	**2005**
Current tax expense	2,872	1,960
Deferred tax expense (income)	(31,730)	30,437
Income tax expenses (income)	**(28,858)**	**32,397**

For fiscal years ended September 30, 2006 and 2005, the Company was subject to Dutch corporate income tax. Tax rates have been reduced substantially over the past years and will be reduced further over the year 2007 according to enacted tax laws. The tax rates were computed as an average rate from the statutory tax rate in 2006 (29.6%), 2005 (31.5%) and 2004 (34.5%) at an average rate of 30.0% and 32.3% respectively.

Income tax expense differs from the amounts computed by applying statutory Dutch income tax rates as follows:

Reconciliation of the effective tax expense

	Year ended September 30,	
	2006	**2005**
Profit before tax	(95,382)	107,016
Income tax using the domestic corporate tax rate (30.0% - 32.3%)	(28,615)	34,566
Tax effect participation exemption	(383)	(333)
Difference computed tax due to changes in corporate tax	140	(1.836)
Income tax expenses	**(28,858)**	**32,397**

(in thousands of EUR, except where otherwise stated)

In assessing the realizability of deferred tax assets, management considers to what extent 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 carry forwards 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 which the deferred tax assets are deductible, management believes it is probable the Company will realize the benefits of these deductible differences, after giving effect to related valuation allowances.

There were no items charged or credited directly to equity. The provision (benefit) for income taxes consists of the following:

Provision (benefit) for income taxes

	Year ended September 30,	
	2006	**2005**
Continuing operations	238	858
Included in former fiscal unity	**-**	53
Total provision	**238**	**911**

10. Remuneration Board of Directors and Supervisory Board

The members of the Board of Directors and the Supervisory Board of the Company received no remuneration during the fiscal year, for account of the company.

11. Receivables from Associates

	September 30,	
	2006	**2005**
Clearing account	21,770	5,228
Interest receivables	25,512	20,835
Loans < 1 year	9,910,949	5,065,865
	9,958,231	**5,091,928**

The receipts of the new bond issues were directly passed to Siemens AG or to other Associates. In total SFM issued in fiscal year 2005 – 2006 USD 6.0 billion, EUR 0.9 billion and GBP 0.75 billion.

12. Derivative assets

	September 30,	
	2006	**2005**
Held for trading	46,880	406,818
In connection with fair value hedge	258,616	-
	305,496	**406,818**

(in thousands of EUR, except where otherwise stated)

In general all derivatives are used for hedging purposes, but not all are designated in hedge accounting.

The decrease under ‘Held for trading’, relates to an interest rate swap, which hedges the EUR 2 billion Bond maturing in 2011. This Interest rate swap was designated as hedge accounting in March 30, 2006. In fiscal year 2004 - 2005 the change in fair value of this interest rate swap was reported under "Held for trading" and in fiscal year 2005 - 2006 the same swap was reported under "In connection with fair value hedge".
Currently SFM has 5 Hedge Packages:

a) EUR 2 billion Bond maturing July, 2011 hedged with an Interest Rate Swap
b) USD 0.75 billion Bond maturing Feb., 2012 hedged with an Interest Rate Swap
c) USD 1.75 billion Bond maturing Oct., 2016 hedged with an Interest Rate Swap
d) USD 1.75 billion Bond maturing Aug., 2026 hedged with an Interest Rate Swap
e) USD 0.5 billion Bond maturing March, 2016 hedged with an Interest Rate Swap

13. Loans to Associates

	September 30, 2006	September 30, 2005
Balance at beginning of the year	2,500,000	2,500,000
Loans granted	-	-
Repayments due to conversions	(3,300)	-
Maturity within 1 year	-	-
Balance at the end of the year	**2,496,700**	**2,500,000**
Weighted average maturity period in years	3.68	4.68
Weighted average interest rate	1.4375%	1.4375%

The loans to Associates consists of the convertible loan Siemens Finance issued in 2003 (note 14), which is lend back-to-back to Siemens AG.

14. Debt

Short term debt and current maturities of long term debt

	September 30, 2006	September 30, 2005
Notes and bonds	1,148,902	1,599,776
Commercial paper	-	235,190
Other financial indebtedness	12,279	21,051
	1,161,181	**1,856,017**

Other financial indebtedness mainly refers to adjustments recognized under Dutch GAAP and retained for IFRS, which are carried forward and deferred over the remaining life of the related instrument.

(in thousands of EUR, except where otherwise stated)

Maturities
In fiscal year 2005 - 2006, the Company redeemed the outstanding amount of EUR 1.6 billion of the 5% 2001/2006 EUR-bond, which was due on July 4, 2006. As per September 30, 2006 the 2.5% 2001/2007 CHF-bond and the 5.5% 1997/2007 EUR-bond are posted to Short term debt.

Commercial paper
The Company has agreements with financial institutions under which it may issue up to EUR 3.0 billion of commercial paper and USD 5.0 billion (approximately EUR 3.9 billion) of commercial paper. As of September 30, 2006 and 2005, outstanding commercial paper totaled EUR – and EUR 0.235 (interest rates from 3.00% to 3.87%), respectively.

Long term debt

	September 30, 2006	September 30, 2005
Notes and bonds	11,242,721	5,647,821
Adjustment of carrying amount due to fair value hedge accounting	93,011	-
Other financial indebtedness (maturing 2007-2019)	89,437	217,189
Therein:		
Adjustments recognized under Dutch GAAP and retained for IFRS	*149,890*	*227,399*
Unamortized portion of disagio	*(21,172)*	*(5,458)*
Unamortized portion of transaction costs	*(39,281)*	*(4,752)*
	11,425,169	**5,865,010**

As of September 30, 2006, weighted-average interest rates for loans from banks and other financial indebtedness were 4.1% (2005: 4.0%).
Other financial indebtedness mainly refers to adjustments recognized under Dutch GAAP and retained for IFRS, which are carried forward and deferred over the remaining life of the related instrument.

Siemens AG has agreements with financial institutions under which it may issue up to EUR 5.0 billion in medium-term notes. The Company participates in this agreement as issuer. The Company issued USD 1.0 billion under this program comprising USD 500 million floating rate notes due March 2012, bearing interest of 0.15% above LIBOR and USD 500 million 5.625% notes due March 2016.

In August 2006, SFM issued USD 5.0 billion notes, which are unconditional and irrevocable guaranteed as to payment of principal and interest by Siemens AG These notes were issued in four tranches of

- USD 750 million Floating Rate Notes (USD LIBOR + 0.05%) due August 14, 2009,
- USD 750 million 5.5% Notes due February 16, 2012,
- USD 1,750 million 5.75% Notes due October 17, 2016 and
- USD 1,750 million 6.125% Notes due August 17, 2026.

In August 2006, the credit facility program under which Siemens may draw was extended with USD 4.0 billion, bringing the total facility at USD 9.0 billion. Besides that a separate facility of EUR 0.450 billion exists. No withdrawal has taken place so far ever.

For the USD 750 million floating rate note, 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. For the fixed rate notes, the issuer may redeem at any time all or some of the notes at the early redemption amount (call) according to the conditions of the bond.
The subordinated bond was issued in a EUR tranche of EUR 900 million and a GBP tranche of GBP 750 million, both with a legal final maturity on September 14, 2066 and with a call option for Siemens after 10 years or thereafter. The bonds bear a fixed interest rate (5.25% for the EUR tranche and 6.125% for the GBP tranche) until September 14, 2016, thereafter, floating rate interest according to the conditions of the bond.

Details of the company's notes and bonds

Amounts in millions		**September 30, 2006**		**September 30, 2005**	
		(notional amount)	EUR *	(notional amount)	EUR *
5.0% 2001/2006 EUR bonds	EUR	-	-	1,595	1,621
2.5% 2001/2007 CHF bonds	CHF	250	158	250	163
5.5% 1997/2007 EUR bonds	EUR	991	1,004	991	1,030
1,375% 2003/2010 EUR convertible notes **	EUR	2,497	2,497	2,500	2,500
5.75% 2001/2011 EUR bonds	EUR	2,000	2,142	2,000	2,172
USD LIBOR+0.15% 2006/2012 USD notes	USD	500	393	-	-
5.625% 2006/2016 USD notes	USD	500	398	-	-
5.5% 2006/2012 USD notes	USD	750	599	-	-
USD LIBOR 2006/2009 USD notes	USD	750	592	-	-
5.75% 2006/2016 USD notes	USD	1,750	1,408	-	-
6.125% 2006/2026 USD notes	USD	1,750	1,419	-	-
5.25% 2006/2066 EUR bonds	EUR	900	890	-	-
6.125% 2006/2066 GBP bonds	GBP	750	1,086	-	-
			12,586		**7,486**

* includes adjustments for fair value hedge accounting as well as adjustments recognized under Dutch GAAP and retained for IFRS, that are carried forward and deferred over the remaining life of the related instrument.

** The Company maintains approximately EUR 2.5 billion of convertible notes through its wholly owned Dutch subsidiary, Siemens Finance B.V., which are fully and unconditionally guaranteed by Siemens AG and for which the conversion option fully rests with Siemens AG. The convertible notes have a 1.375% coupon and are convertible into approximately 44.5 million shares of Siemens AG at a conversion price of EUR 56.1681 per share, which is subject to change under certain circumstances. The conversion right is contingently exercisable by the holders upon the occurrence of one of several conditions, including, upon Siemens AG' share price having exceeded 110% of the conversion price on at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of any calendar quarter. This condition was met in the first quarter of fiscal year 2004 - 2005.
As Siemens AG has undertaken to grant directly and irrevocably to each noteholder the right to convert the convertible notes, Siemens Finance B.V. has no obligation to convert the notes in accordance with the terms and conditions of the notes, only an obligation to pay interest and redeem the notes. Therefore Siemens Finance B.V. accounts for the convertible notes as a straight bond.

(in thousands of EUR, except where otherwise stated)

In fiscal year 2005 - 2006, approximately EUR 3.300 of convertible notes was exercised and was settled primarily in cash. In the third quarter of fiscal year 2005 - 2006, Siemens irrevocably waived its option to pay a cash amount in lieu of the delivery of shares upon exercise of the conversion right. Siemens Finance B.V. may, at any time from June 18, 2007, redeem the notes outstanding at their principal amount together with interest accrued thereon, if Siemens AG' share price exceeds 130% of the conversion price on any 15 of 30 consecutive trading days before notice of early redemption. Unless previously redeemed, converted or repurchased and cancelled, the notes mature on June 4, 2010.

As of September 30, 2006, the aggregate amounts of indebtedness maturing during the next five years and thereafter are as follows:

Fiscal year	(millions of EUR)
2006 - 2007	1,161
2007 - 2008	-
2008 - 2009	592
2009 - 2010	2,497
2010 - 2011	2,142
Thereafter	6,194
	12,586

15. Liabilities to Associates

	September 30, 2006	September 30, 2005
Loans from Associates < 1 yr	29,500	43,843
Other liabilities to Associates	9,505	19,947
	39,005	**63,790**

16. Other current financial liabilities

	September 30, 2006	September 30, 2005
Interest payable	118,808	92,199
	118,808	**92,199**

17. Equity

The Company's authorized share capital is divided in 50.000 shares with a nominal value of EUR 1 thousand each, of which 10.256 shares have been issued and paid in.

Retained earnings are available for distribution upon decision of the general meeting of shareholders. The holders of the shares are entitled to execute the rights under the Netherlands Civil Code without any restrictions.
For fiscal year 2005 - 2006, the Board of Directors proposes not to pay any dividend. Not-payment of any dividend is contingent upon approval by the shareholders at the Annual Shareholders' Meeting. In fiscal year 2005 - 2006 a dividend of EUR 6.6 was paid as profit

distribution for fiscal year 2004 - 2005.

18. 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, 2006	2005
Guarantees		
Credit guarantees	1	-
Guarantees of associated-party performance	39	32

Credit guarantees cover the financial obligations of Siemens Group companies and or third parties in cases where the Company is the contractual partner. These guarantees generally provide that in the event of default or non-payment by the primary debtor, the Company will be required to settle such financial obligations. In addition, the Company provides credit guarantees generally as credit-line guarantees with variable utilization to associated and related companies. 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 year and five years. Any of these guarantees are guaranteed either as covering financial obligations within the Siemens Group or by means of explicit counter guarantees in case of third party guarantees on request of a part of the Siemens Group.

Furthermore, the Company issues Guarantees of associated-party performance, which include performance bonds and guarantees of advanced payments in cases where Associates are the general partner or are a subsidiary partner in a consortium. In the event of non-fulfillment of contractual obligations by the (consortium) partner(s), the Company 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 among the consortium partners. No significant liability has been recognized in connection with these guarantees.

19. Foreign currency exchange rate risk

Foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. In order to minimize exchange rate risks the Company seeks to lend and borrow in the same functional currency. Furthermore the Company uses forward exchange contracts, spot contracts and cross currency swaps to limit foreign exchange risks. All such derivative financial instruments are recorded at fair value on the Consolidated Balance Sheet, either as Other current financial assets or Other current financial liabilities, and changes in fair values are charged to net income.

20. Interest rate risk

The Company uses derivatives, such as interest-rate swaps and forward rate agreements to manage the exposure to movements in interest rates and thus to help achieve target levels of interest income or expense.

21. Liquidity risk

Liquidity risk results from the Company's potential inability to meet its financial liabilities when they come due, at reasonable costs and in a timely manner. The company participates in a medium-term note program and in two commercial paper programs, all established by Siemens AG. Siemens AG unconditionally and irrevocably guarantees all debt securities of the Company, including debt securities issued under the EMTN and the subordinated Hybrid Capital Bond, issued September 2006.

22. Credit risk

The Company is exposed to credit risk in connection with its significant size of loans granted to Siemens Group companies. Credit risk is defined as an unexpected loss in cash and earnings if the ultimate borrower is unable to pay its obligations in due time. Valuation/ collectibility of these receivables depend upon the financial position and credit worthiness of the involved companies and of the Siemens Group as a whole.

Siemens Financieringsmaatschappij N.V

COMPANY FINANCIAL STATEMENTS
As of September 30, 2006
(in thousands of EUR, except where otherwise stated)

Company Statement of Income

	Notes	Year ended September 30, 2006	2005
Interest income	4	356,115	144,389
Interest expenses	5	(237,715)	(178,077)
Net balance of fair value measurement of financial instruments	7	(214,957)	139,308
Total operating income		**(96,557)**	**105,620**
Miscellaneous income and expenses	8	(551)	(342)
Profit before tax		**(97,108)**	**105,278**
Income tax expense	9	29,347	(31,836)
Result from Participations		1,277	1,032
Profit for the period Attributable to equity holders of the parent		**(66,484)**	**74,474**

Siemens Financieringsmaatschappij N.V

COMPANY FINANCIAL STATEMENTS
As of September 30, 2006
(in thousands of EUR, except where otherwise stated)

Company Balance sheet
(before appropriation of result)

ASSETS	Notes	September 30, 2006	2005
Current assets			
Cash and Cash equivalents		-	18
Receivables from Associates	11	9,942,906	5,031,138
Income tax receivables		758	-
Derivative assets	12	305,496	406,818
		10,249,160	**5,437,974**
Non-current assets			
Investments in Associates		2,000	4,000
Deferred tax assets	9	1,294	-
		3,294	**4,000**
Total assets		**10,252,454**	**5,441,974**

LIABILITIES AND EQUITY	Notes	September 30, 2006	2005
Current liabilities			
Short term debt and current maturities of long term debt	13	1,161,181	1,856,017
Liabilities to Associates	14	39,005	19,944
Tax accruals	9	-	351
Other current financial liabilities	15	107,616	80,991
		1,307,802	**1,957,303**
Long term liabilities			
Long term debt	13	8,928,469	3,365,010
Deferred Income Tax		-	30,437
		8,928,469	**3,395,447**
Shareholders' equity			
Issued and paid in share capital	16	10,256	10,256
Share premium reserve		1,561	1,561
Retained earnings		70,850	2,933
Undistributed profit		(66,484)	74,474
		16,183	**89,224**
Total liabilities and equity		**10,252,454**	**5,441,974**

Siemens Financieringsmaatschappij N.V

COMPANY FINANCIAL STATEMENTS
As of September 30, 2006
(in thousands of EUR, except where otherwise stated)

Company Statement of Cash Flow

	Notes	Year ended September 30, 2006	2005
Cash flows from operating activities			
Profit before taxation		(97,108)	105,278
Proceeds from issuance of notes	13	6,703,235	-
Repayment of notes	13	(1,595,457)	-
Proceeds from issuance of commercial paper, net	13	(235,189)	219,275
Payment of transaction cost		(34,160)	-
(Increase) decrease in receivables from Associates	11	(4,885,430)	(295,052)
Increase (decrease) in liabilities to Associates	14	19,061	5,961
Increase (decrease) in Derivative assets	12	101,322	40,156
Increase (decrease) in other current financial liabilities	15	26,625	885
Increase (decrease) in fair value of notes	13	30,194	(86,782)
Dividends received		1,177	1,032
Income taxes paid		(3,493)	(1,627)
Net cash provided by operating activities		**30,777**	**(10,874)**
Cash flows from investing activities			
Divestment of subsidiary	2	2,100	-
Net cash provided by investing activities		**2,100**	**-**
Cash flows from financing activities			
Dividends paid		(6,556)	(4,608)
Net cash (used in) provided by financing activities		**(6,556)**	**(4,608)**
Net (decrease) increase in cash and cash equivalents		**26,321**	**(15,482)**
Cash and cash equivalents at beginning of year		9,135	24,617
Cash and cash equivalents at end of year		**35,456**	**9,135**

(in thousands of EUR, except where otherwise stated)

Company Statement of Changes in Equity

	Issued and paid-in capital	Share premium reserve	Retained earnings	Undis-tributed profit	Total
Balance as at October 1, 2004	10,256	1,561	2,933	4,608	19,358
Appropriation of undistributed profit	-	-	4,608	(4,608)	-
Dividend	-	-	(4,608)	-	(4,608)
Profit for the year ended September 30, 2005	-	-	-	74,474	74,474
Balance as at September 30, 2005	10,256	1,561	2,933	74,474	89,224
Appropriation of undistributed profit	-	-	74,474	(74,474)	-
Dividend	-	-	(6,557)	-	(6,557)
Profit for the year ended September 30, 2006	-	-	-	(66,484)	(66,484)
Balance as at September 30, 2006	10,256	1,561	70,850	(66,484)	16,183

Notes to the Company Financial Statements

1. Basis of presentation

Reporting entity

Siemens Financieringsmaatschappij N.V. (the Company or SFM) is a company domiciled in the Netherlands. The address of the Company's registered office is Prinses Beatrixlaan 800, 2595 BN, The Hague, Netherlands. The company is registered in the Commercial Register at September 14, 1977, number 27092998.

The accompanying Company Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU). These are the Company's first company financial statements under IFRS. The effects of the adoption of IFRS on the financial position, results of operations and cash flows of SFM as presented herein are described below.
The company financial statements are part of the annual accounts of Siemens Financieringsmaatschappij N.V. The principles for valuation of assets and liabilities and determination of results are the same as for the consolidated Balance Sheet and Statement of Income.
Where items from the Balance sheet and Statement of Income are not explained in detail below, reference is made to the notes to the Consolidated Balance Sheet and Statement of Income.

SFM applied all standards and interpretations that were effective as of September 30, 2006.

The financial statements were authorised for issue by the Managing Board on January 30, 2007.

Explanation of transition to IFRS

See the summary of Basis for presentation of the Consolidated Financial statements.

Changes in presentation of financial statements

See the summary of Basis for presentation of the Consolidated Financial statements.

Reconciliation of equity and net income from Dutch GAAP to IFRS

See the summary of Basis for presentation of the Consolidated Financial statements.

Impact on the Consolidated Statements of Cash Flow

See the summary of Basis for presentation of the Consolidated Financial statements.

2. Summary of significant accounting policies

The accounting principles of Siemens Financieringsmaatschappij N.V. Company financial statements correspond with the accounting principles used in the Consolidated financial statements of Siemens Financieringsmaatschappij N.V.
The Company carries its investments in Group- and associated companies at historic cost less provision for any diminution in value deemed to be of a permanent nature. These provisions are determined on the following basis:

- Provisions for losses on disposal or liquidation of an investment are made when such losses can reasonably be foreseen.
- The value of the Company's investments, other than companies intended for disposal or liquidation, is assessed each year on a individual basis and any impairment loss is recognised on this basis.

Associates
See the summary of significant accounting policies of the Consolidated Financial statements.

Functional and presentation currency
See the summary of significant accounting policies of the Consolidated Financial statements.

Impairment
See the summary of significant accounting policies of the Consolidated Financial statements.

Income Taxes
See the summary of significant accounting policies of the Consolidated Financial statements.

Financial instruments
See the summary of significant accounting policies of the Consolidated Financial statements.

Fair valuing principles
See the summary of significant accounting policies of the Consolidated Financial statements.

Derivative instruments
See the summary of significant accounting policies of the Consolidated Financial statements.

Derivative interest rate contracts
See the summary of significant accounting policies of the Consolidated Financial statements.

Derivative currency contracts
See the summary of significant accounting policies of the Consolidated Financial statements.

Fair value hedges
See the summary of significant accounting policies of the Consolidated Financial statements.

Related party transactions
See the summary of significant accounting policies of the Consolidated Financial statements.

Cash and cash equivalents
See the summary of significant accounting policies of the Consolidated Financial statements.

(in thousands of EUR, except where otherwise stated)

Loans and receivables
See the summary of significant accounting policies of the Consolidated Financial statements.

Financial liabilities
See the summary of significant accounting policies of the Consolidated Financial statements.

Cost recognition
See the summary of significant accounting policies of the Consolidated Financial statements.

Solvency
See the summary of significant accounting policies of the Consolidated Financial statements.

Dividends
See the summary of significant accounting policies of the Consolidated Financial statements.

Geographical segments
See the summary of significant accounting policies of the Consolidated Financial statements.
Note [4] provides an overview of the interest income and interest expense per segment.

Cash Pool
See the summary of significant accounting policies of the Consolidated Financial statements.

Cash Flow
See the summary of significant accounting policies of the Consolidated Financial statements.

Dispositions— in July 2006 the Company sold its interest in Siemens Capital B.V. to Siemens AG. In fiscal 2005 – 2006 a dividend of EUR 0'112 over fiscal 2004 – 2005 was received from Siemens Capital. Siemens Capital B.V. has been disposed from the Fiscal Unity as from October 1, 2005.

The consideration mentioned amounted to EUR 2.1 million which value was based on the net equity value of Siemens Capital B.V. The transfer resulted in a book result of EUR 0.1 million.

Effect of the disposition on individual assets and liabilities of the Group

	September 30, 2005
Net identifiable assets and liabilities	2,000
Consideration received, satisfied in cash	2,100
Net cash (inflow)	100

(in thousands of EUR, except where otherwise stated)

3. Management estimates and judgments

See the summary of Management estimates and judgments of the Consolidated Financial statements.

4. Interest Income

Interest income per segment	Year ended September 30, 2006	2005
The Netherlands	15,990	7,985
Rest of Europe	170,056	50,195
United States of America	170,069	86,209
Total interest income	**356,115**	**144,389**

5. Interest Expenses

Interest expenses per segment	Year ended September 30, 2006	2005
The Netherlands	(477)	(7)
Rest of Europe	(236,480)	(178,070)
United States of America	(758)	-
Total interest expense	**(237,715)**	**(178,077)**

6. Interest, net per segment

Interest, net per segment	Year ended September 30, 2006	2005
The Netherlands	15,513	7,978
Rest of Europe	(66,424)	(127,875)
United States of America	169,311	86,209
Total interest net	**118,400**	**(33,688)**

7. Net balance of fair value measurement of financial instruments

See note 7. of the Consolidated Financial statements

8. Miscellaneous income and expenses

See note 8. of the Consolidated Financial statements

(in thousands of EUR, except where otherwise stated)

9. Income tax expense

Siemens Financieringsmaatschappij N.V. is the head of a fiscal unity for corporate income tax. As a consequence Siemens Financieringsmaatschappij N.V. is liable for any debt arising for any other member of the fiscal unity.

Taxes are based on the applicable tax laws and rates, taking into account any fiscal facilities. Insofar as valuations for tax purposes differ from the principles as applied in these financial statements, and these result in deferred tax liabilities, a provision is formed for these liabilities, calculated according to the corporation tax rate applicable as at balance sheet date. The taxation on result comprises both taxes payable in the short term and deferred taxes, taking account of tax facilities and non-deductible costs.

Income tax expense (benefit) consists of the following:

	Year ended September 30, 2006	2005
Current tax expense	2,383	1,399
Deferred tax expense (income)	(31,730)	30,437
Income tax expenses (income)	**(29,347)**	**31,836**

For fiscal years ended September 30, 2006 and 2005, the Company was subject to Dutch corporate income tax. Tax rates have been reduced substantially over the past years and will be reduced further over the year 2007 according to enacted tax laws. The tax rates were computed as an average rate from the statutory tax rate in 2006 (29.6%), 2005 (31.5%) and 2004 (34.5%) at an average rate of 30.0% and 32.3% respectively.

Income tax expense differs from the amounts computed by applying statutory Dutch income tax rates as follows:

Reconciliation of the effective tax expense

	Year ended September 30, 2006	2005
Profit before tax	(97,108)	105,278
Income tax using the domestic corporate tax rate (30.0% - 32.3%)	(29,132)	34,005
Tax effect participation exemption	(383)	(333)
Difference computed tax due to changes in corporate tax	168	(1,836)
Income tax expenses	**(29,347)**	**31,836**

In assessing the realizability of deferred tax assets, management considers to what extent 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 carry forwards 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 which the deferred tax assets are deductible, management believes it is probable the Company will realize the benefits of these deductible differences, after giving effect to related valuation allowances.

(in thousands of EUR, except where otherwise stated)

There were no items charged or credited directly to equity. The provision (benefit) for income taxes consists of the following:

Provision (benefit) for income taxes

	Year ended September 30,	
	2006	**2005**
Continuing operations	(758)	351
Total provision	**(758)**	**351**

10. Remuneration Board of Directors and Supervisory Board
See note 10. of the Consolidated Financial statements

11. Receivables from Associates

	September 30,	
	2006	**2005**
Clearing account	18,801	-
Interest receivables	16,655	9,119
Loans < 1 year	9,907,450	5,022,019
	9,942,906	**5,031,138**

The table presents the fair value and carrying amounts of the financial Instruments measured at cost or amortized cost.
The receipts of the new bond issues were directly passed to Siemens AG or to other Associates. In total SFM issued in fiscal year 2005 – 2006 USD 6.0 billion, EUR 0.9 billion and GBP 0.75 billion.

12. Derivative Assets
See note 12. of the Consolidated Financial statements

13. Debt

Short term debt and current maturities of long term debt

	September 30,	
	2006	**2005**
Notes and bonds	1,148,902	1,599,776
Commercial paper	-	235,190
Other financial indebtedness	12,279	21,051
	1,161,181	**1,856,017**

(in thousands of EUR, except where otherwise stated)

The Other financial indebtedness mainly refers to adjustments recognized under Dutch GAAP and retained for IFRS, which are carried forward and deferred over the remaining life of the related instrument.

Maturities

In fiscal year 2005 - 2006, the Company redeemed the outstanding amount of EUR 1.6 billion of the 5% 2001/2006 EUR-bond, which was due on July 4, 2006. As per September 30, 2006 the 2.5% 2001/2007 CHF-bond and the 5.5% 1997/2007 EUR-bond were posted to Short term debt.

Commercial paper

The Company has agreements with financial institutions under which it may issue up to EUR 3.0 billion of commercial paper and USD 5.0 billion (approximately EUR 3.9 billion) of commercial paper. As of September 30, 2006 and 2005, outstanding commercial paper totaled EUR – and EUR 0.235 (interest rates from 3.00% to 3.87%), respectively.

Long term debt

	September 30,	
	2006	**2005**
Notes and bonds	8,746,021	3,147,821
Adjustment of carrying amount due to fair value hedge accounting	93,011	-
Other financial indebtedness (maturing 2007-2019)	89,437	217,189
Therein:		
Adjustments recognized under Dutch GAAP and retained for IFRS	*149,890*	*227,399*
Unamortized portion of disagio	*(21,172)*	*(5,458)*
Unamortized portion of transaction costs	*(39,281)*	*(4,752)*
	8,928,469	**3,365,010**

As of September 30, 2006, weighted-average interest rates for loans from banks and other financial indebtedness were 5.4% (2005: 5.1%).
The Other financial indebtedness mainly refers to adjustments recognized under Dutch GAAP and retained for IFRS, which are carried forward and deferred over the remaining life of the related instrument.

Siemens AG has agreements with financial institutions under which it may issue up to EUR 5.0 billion in medium-term notes. The Company participates in this agreement as issuer. The Company issued USD 1.0 billion under this program comprising USD 500 million floating rate notes due March 2012, bearing interest of 0.15% above LIBOR and USD 500 million 5.625% notes due March 2016.

In August 2006, SFM issued USD 5.0 billion notes, which are unconditional and irrevocable guaranteed as to payment of principal and interest by Siemens AG These notes were issued in four tranches of

- USD 750 million Floating Rate Notes (USD LIBOR + 0.05%) due August 14, 2009,
- USD 750 million 5.5% Notes due February 16, 2012,
- USD 1,750 million 5.75% Notes due October 17, 2016 and
- USD 1,750 million 6.125% Notes due August 17, 2026.

In August 2006, the credit facility program under which Siemens may draw was extended with USD 4.0 billion, bringing the total facility at USD 9.0 billion. Besides that a separate facility of EUR 0.450 billion exists. No withdrawal has taken place so far ever.

For the USD 750 million floating rate note, 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. For the fixed rate notes, the issuer may redeem at any time all or some of the notes at the early redemption amount (call) according to the conditions of the bond.
The subordinated bond was issued in a EUR tranche of EUR 900 million and a GBP tranche of GBP 750 million, both with a legal final maturity on September 14, 2066 and with a call option for Siemens after 10 years or thereafter. The bonds bear a fixed interest rate (5.25% for the EUR tranche and 6.125% for the GBP tranche) until September 14, 2016, thereafter, floating rate interest according to the conditions of the bond.

Details of the company's notes and bonds

Amounts in millions		**September 30, 2006**		**September 30, 2005**	
		(notional amount)	EUR *	(notional amount)	EUR *
5.0% 2001/2006 EUR bonds	EUR	-	-	1,595	1,621
2.5% 2001/2007 CHF bonds	CHF	250	158	250	163
5.5% 1997/2007 EUR bonds	EUR	991	1,004	991	1,030
5.75% 2001/2011 EUR bonds	EUR	2,000	2,142	2,000	2,172
USD LIBOR+0.15% 2006/2012 USD notes	USD	500	393	-	-
5.625% 2006/2016 USD notes	USD	500	398	-	-
5.5% 2006/2012 USD notes	USD	750	599	-	-
USD LIBOR 2006/2009 USD notes	USD	750	592	-	-
5.75% 2006/2016 USD notes	USD	1,750	1,408	-	-
6.125% 2006/2026 USD notes	USD	1,750	1,419	-	-
5.25% 2006/2066 EUR bonds	EUR	900	890	-	-
6.125% 2006/2066 GBP bonds	GBP	750	1,086	-	-
			10,089		**4,986**

* includes adjustments for fair value hedge accounting as well as adjustments recognized under Dutch GAAP and retained for IFRS, that are carried forward and deferred over the remaining life of the related instrument.

As of September 30, 2006, the aggregate amounts of indebtedness maturing during the next five years and thereafter are as follows:

Fiscal year	(millions of EUR)
2006 - 2007	1,161
2007 - 2008	-
2008 - 2009	592
2009 - 2010	-
2010 - 2011	2,142
Thereafter	6,194
	10,089

(in thousands of EUR, except where otherwise stated)

14. Liabilities to Associates

	September 30, 2006	September 30, 2005
Loans from Associates < 1 yr	29,500	-
Other liabilities to Associates	9,505	19,944
	39,005	**19,944**

15. Other current financial liabilities

	September 30, 2006	September 30, 2005
Interest payable	107,616	80,991
	107,616	**80,991**

16. Equity
See note 17. of the Consolidated Financial statements

17. Commitments and contingencies
See note 18. of the Consolidated Financial statements

18. Foreign currency exchange rate risk
See note 19. of the Consolidated Financial statements

19. Interest rate risk
See note 20. of the Consolidated Financial statements

20. Liquidity risk
See note 21. of the Consolidated Financial statements

21. Credit risk
See note 22. of the Consolidated Financial statements

The Hague, January 30, 2007

the Supervisory Board

J.-C. Kieffer H.P. Rupprecht

The Hague, January 30, 2007

the Board of Directors

B.G. Trompert J.W. Hesselink

Other Information

Profit appropriation according to the Articles of Association
Article 19 of the articles of association reads as follows:

1. Any reserves determined by the Supervisory Board shall be made out of the profit less the annual depreciation. The remaining profit after such amounts have been reserved shall be at the disposal of the General Meeting of Shareholders to pay out dividends or for other purposes to be determined by the meeting.

2. The Company may make payments, out of the distributable profit, to shareholders and other persons entitled to such payment, only if and to the extent that the Company's authorised capital is in excess of the paid-up share of the capital plus the reserves that must be maintained by virtue of the law and these Articles of Association.

3. Payments of profit shall be made after confirmation of the annual accounts showing that such payment is permissible.

4. Upon prior approval of the Supervisory Board, the Board of Directors may resolve, prior to the confirmation of the annual accounts in any financial year, upon payment of one or more interim-dividend(s) based on the dividend to be expected, always provided that the provision laid down in paragraph 2 with regard to the Company's authorised capital has been satisfied, which shall appear from an interim capital report signed by the Board of Directors.

Proposal for appropriation of the result
Pursuant to article 19 of the articles of association, it is proposed to appropriate the results of the fiscal year 2005 - 2006 as follows:

Distribution of dividend	EUR	0.00
Adding to the general reserve	EUR	(66,484,478.21)

It is proposed not to distribute the profit for the fiscal year 2005 – 2006.

To: the Shareholders of Siemens Financieringsmaatschappij N.V.

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements for the year ended September 30, 2006 of Siemens Financieringsmaatschappij N.V., The Hague, which comprise the consolidated and company balance sheet as at September 30, 2006, the statement of income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility
Management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the statement of the Board of Directors in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of Siemens Financieringsmaatschappij N.V. as at September 30, 2006, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the statement of the Board of Directors is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

The Hague, January 30, 2007

KPMG ACCOUNTANTS N.V.

C.J.M. Coremans RA