

Annual Report 2006/2007

one

We make sure

FUJITSU COMPUTERS
SIEMENS

milestone

Some things were meant to go together. Now that Fujitsu Siemens Computers and IT Product Services have become one under the umbrella of 'The New Fujitsu Siemens Computers', we have the reach and depth to realize our full potential. The joining of our platform and service business is a massive milestone in our history, matched by a raft of extensive strategy, product and process enhancements over fiscal 2006/2007 that give us a powerful springboard for the future.

Company profile

Fujitsu Siemens Computers is the leading European IT provider with a strategic focus on next-generation Mobility and Dynamic Data Center products, services and solutions. With a platform and services portfolio of exceptional depth, our offering extends from handhelds through desktops to enterprise-class IT infrastructure solutions and service. Fujitsu Siemens Computers has a presence in all key markets across Europe, the Middle East and Africa, with the services arm extending coverage up to 176 countries worldwide. Leveraging the strengths, innovation and global reach of our joint shareholders, Fujitsu Limited and Siemens AG, we make sure we meet the needs of customers: large corporations, small and medium enterprises and private users. To meet international standards for corporate social responsibility, Fujitsu Siemens Computers is a member of the United Nations Global Compact.

Financial highlights

	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
	€ m	€ m	€ m	€ m	€ m
Net turnover					
Volume products	3,903.3	4,435.1	3,892.9	3,565.9	3,656.9
Enterprise products	1,503.0	1,603.3	1,531.8	1,373.1	1,374.3
Services	1,202.0	311.4	262.7	211.6	144.0
Other	343.7	296.5	316.1	137.8	161.5
Total net turnover	6,952.0	6,646.3	6,003.5	5,288.4	5,336.7
Gross operating result before restructuring	981.0	836.9	832.0	797.7	807.5
Operating results before restructuring	131.0	125.8	111.8	96.0	70.1
Operating results after restructuring (EBIT)	71.9	112.3	91.6	61.7	15.5
Result before tax	91.1	120.7	94.7	61.7	7.9
Profit/(loss) after tax	61.6	85.2	70.3	38.3	(9.6)

The annual report deals with the activities and financial statements of Fujitsu Siemens Computers (Holding) B.V. and its consolidated subsidiaries for the year ended March 31, 2007 (fiscal 2006/2007).

Contents

Company

Letter from the President	6	More Service	12
Shareholders' views	10	The new Fujitsu Siemens Computers	
		ITPS at a glance	15
		Service portfolio in detail	16
		Smooth integration process	17
		Taking integration to the next level	19
		More Value	20
		Solutions and services with real business impact	
		Translating IT into business	22
		Building the right relationships	25
		End-to-end process transparency	26
		Tomorrow's Dynamic Data Center	26
		Moving towards unlimited mobility	28
		Digital Home and consumer trends	28
		Creating value for society at large	29
		More Innovation	30
		Turning simple ideas into great innovations	
		Stronger innovation focus	32
		Rewarding innovation	32
		Dynamic infrastructure solutions	33
		Dynamic mobility	38
		On top with desktops	39
		Dynamic home	39
		Innovation within	40
		Innovation with a sense of responsibility	40
		More Reach	42
		Dedicated infrastructure provider	
		Reaching out to our customers	44
		Reaching out to our employees	47
		Service beating at the heart of our business	47
		Clear focus on the value business	49
		Pushing volume and consumer sales	50
		Focus on profitable growth	52

Finances

Report of the Board of Management 56

General	56
Financial review	59
Corporate governance	62

Financial statements 65

Consolidated profit and loss account	65
Consolidated balance sheet	66
Statement of other comprehensive income	66
Consolidated statement of cash flows	67
Accounting policies	68
Notes to the consolidated financial statements	74
Profit and loss account of the Company	86
Balance sheet of the Company	86
Notes to the Company financial statements	87

Other information 92

Auditors' report	92
Profit allocation and distributions	93

Bernd Bischoff, *President and Chief Executive Officer*

Strengths: I'm a 'straight down the line' kind of person

Weaknesses: You've got to build on your strengths so that your weaknesses don't matter

Motto: Don't put off 'til tomorrow what you can do today

Source of inspiration: J. F. Kennedy



Dear customers, partners, shareholders and colleagues,

FISCAL 2006/2007 WAS THE YEAR OF 'THE NEW FUJITSU SIEMENS COMPUTERS'. A year of new beginnings and profound changes. It was also a time of tough challenges. I'd like to take this opportunity to share the full picture with you and explain why this landmark year fills me with optimism for the future.

For me, the most significant milestone last year was the acquisition and turnaround of our new service arm, Fujitsu Siemens Computers IT Product Services (ITPS). This was a significant step in our history, enabling us to deliver a better service to our customers across the extended value chain and paving the way for a major force in the IT marketplace.

Looking at the figures in isolation, fiscal 2006/2007 produced mixed results. On the one hand, we almost hit the seven billion euro revenue mark for the first time in our seven-year history. Partly fuelled by the extension of our service capabilities, this shows that our strategy is already bearing fruit. In addition, a higher-margin mix helped grow our profit before tax and restructuring by 10 percent to 150 million euros.

On the other hand, however, hardware revenue dropped in some areas. For good reason, let me add. We refused to artificially bump up our figures with loss-making deals. Overstocks from last Christmas and large-scale dumping of non-RoHS-compliant products mid-year resulted in fierce competition and aggressive price wars. But we stuck to our guns and focused only on profitable business. So putting our results in context, we can actually be proud of the fact that we managed to hold our own.

Against this turbulent backdrop, I am convinced that we made the necessary changes to drive our performance forward. Our new sales strategy, which differentiates between the value and volume business, focuses on delivering more value to our customers and building stronger relationships. Our service capabilities are a key success factor in this strategy. The synergies across our platform and service businesses

have already been instrumental in winning major new customers with end-to-end solutions. The upshot of these and other similar changes was a positive trend evident in the second half of fiscal 2006/2007, which has continued into the current fiscal year.

At this point, I would like to say a special word to our employees. Nobody ever said the integration of about 4,000 new employees from ITPS was going to be smooth sailing. In fact, the integration process is still ongoing. We need to give ourselves time to harmonize different cultural and business backgrounds. But there's nothing unusual in that. What is unusual is the speed with which our ITPS colleagues managed to turn around the service business. Another impressive tribute to our employees was the agreement we reached in Germany to increase working hours and defer pay raises to secure the future of our company. On behalf of the Executive Board, I would like to take this opportunity to thank each and every one of our employees for their flexibility and active contribution to our success.

In short, the last fiscal year has laid an exciting foundation for our future. We are currently positioned as a leading provider of IT infrastructure solutions in individual regions. The end-to-end integration of ITPS will extend this lead to all countries. To accelerate this transition, we must sharpen our profile and

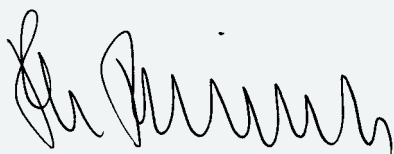
"WE'RE LIKE DAVID, PITTING OUR EUROPEAN STRENGTHS AGAINST THE AMERICAN GOLIATHS AND COMING OUT SMILING. 2006 WAS THE YEAR OF 'THE NEW FUJITSU SIEMENS COMPUTERS'. NEW NOT JUST BECAUSE WE ACQUIRED IT PRODUCT SERVICES AND THUS GAINED A POWERFUL LEVER TO DELIVER MORE VALUE TO OUR CUSTOMERS. THE CHANGES RAN DEEP UNDER THE SURFACE, SHAPING OUR PRODUCTS AND SOLUTIONS, SALES STRATEGY AND PROCESSES. WE'RE READY TO GO!"

play to our many strengths. These include our 'we make sure' culture. More than ever, we need to meet and exceed our commitments to our customers, partners and shareholders. This involves anchoring our brand promise more firmly in every aspect of company life.

We will also continue to leverage our European focus and the proximity advantage of our local presence. Which, of course, plays an instrumental role in our strong sense of customer intimacy, which we will be further accentuating by teaming up our platform and service sales forces. Last but not least, size is on our side. A big tanker might look impressive from a distance, but up close and personal, it's no match for the agility and pace of a speedboat. And it is precisely this ability to maneuver in a faster, more nimble way that will enable us to build more intimate, lasting customer relationships in the race for market share.

In concrete terms, we anticipate a rise in demand in 2007, although competition will remain very stiff. We will continue to drive our Dynamic Data Center offering, concentrating on new solutions and partnerships in particular. I also foresee strong growth opportunities for our Managed Services segment. Looking at the volume business, our growth plans are centered on an enhanced design, increased operational efficiency and even closer alignment of our product portfolio with market demands.

Fiscal 2007/2008 will be a year of investments and 2008/2009 will be the year when these investments and our long-term strategy will pay off. For the moment, it's full speed ahead at Fujitsu Siemens Computers. And before you know it, we'll hit the 10 billion euro mark.

A handwritten signature in black ink, appearing to read 'Bernd Bischoff', written in a cursive style.

Bernd Bischoff,
President and Chief Executive Officer

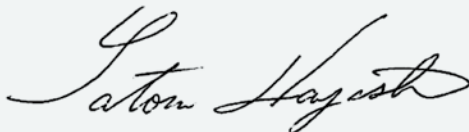
SHAREHOLDERS' VIEWS

DOES THE NEW SERVICE ARM AT FUJITSU SIEMENS COMPUTERS CHANGE THE PLAYING FIELD FOR COOPERATION WITH FUJITSU?

The acquisition of the new service arm is a great development for Fujitsu Siemens Computers. It extends the company's footprint, taking ease of service to the next level for local and global customers. Both Fujitsu and Fujitsu Siemens Computers are currently assessing and aligning windows of opportunity and looking to maximize the synergy effects to the ultimate benefit of our mutual customers. Obviously both companies will retain their geographic strongholds. There are some overlaps with Fujitsu Services, but I do not see this as an issue. We view each other as partners, and not as competitors – and this also holds true of the service business.

DO YOU EXPECT TO SEE A GREATER DEGREE OF SPECIALIZATION IN THE FUTURE?

We have a very flexible partnership. Where it makes sense to specialize, we do so. For example, in future, Fujitsu will concentrate more on scale-up architectures whereas Fujitsu Siemens Computers will focus increasingly on scale-out infrastructures. This gives our customers the best of both worlds. However, we also join forces if interests coincide. For instance, Fujitsu and Fujitsu Siemens Computers teamed up with our mutual partner Sun Microsystems to co-develop and co-manufacture the 'SPARC Enterprise Server' line. Essentially, we evaluate each case as it comes. Recently, we won a multi-million, five-year deal for a global insurance player. Here Fujitsu Services won the bid and has contracted out various managed services to Fujitsu Siemens Computers and IP communications to Siemens Enterprise Communications. That has to be the perfect model of teamwork!



Satoru Hayashi,
*Executive Chairman of the Board and Member of the
Executive Council of Fujitsu Siemens Computers*

"FUJITSU SIEMENS COMPUTERS MADE MANY IMPORTANT CHANGES LAST FISCAL YEAR AND I AM CONVINCED THAT ITS LONG-TERM STRATEGY WILL PAY OFF."

THE MARKET RESPONSE TO THE ACQUISITION OF PRODUCT RELATED SERVICES (PRS) FROM SIEMENS BUSINESS SERVICES HAS BEEN RESOUNDINGLY POSITIVE. WHAT IS YOUR PERSONAL VIEW ON THAT?

I think the integration of Fujitsu Siemens Computers IT Product Services positions the company as a major player in the infrastructure solutions market. In some ways, the acquisition was the logical step in moving forward what was already a close working relationship with PRS. The new service arm gives Fujitsu Siemens Computers a lot more clout on the market and allows it to deliver much greater value to its customers.

AS A SHAREHOLDER, DO YOU FEEL OPTIMISTIC ABOUT THE FUTURE DEVELOPMENT OF FUJITSU SIEMENS COMPUTERS?

Over the past fiscal year, Fujitsu Siemens Computers made a clear stand. The company is interested in quality not just quantity. And I think this was the right path forward and is conducive to future growth. It would be easy to start floundering in the price wars and scuffles for market share. But in rising above that, Fujitsu Siemens Computers has successfully maintained a strong bottom line – despite the challenging market climate. And that is good news for any shareholder. In addition, I think that Fujitsu Siemens Computers made many important changes last fiscal year and I am convinced that its long-term strategy will pay off.



Rudi Lamprecht,
*Vice Chairman of the Board of Fujitsu Siemens Computers and
Member of the Managing Board of Siemens AG*

support

"OUR NEW SERVICE CAPABILITIES POSITION US AS A MAJOR FORCE IN THE IT INDUSTRY. AS A PEOPLE BUSINESS, WE HAVE A PASSION TO SERVE AND SUPPORT OUR CUSTOMERS. I'M REALLY ENCOURAGED BY THE SMILING FACES AND LEVELS OF MOTIVATION I SEE THROUGHOUT ITPS. EVEN MORE IMPRESSIVE IS OUR ABILITY TO TEAM UP INTERNALLY AND WITH OUR CUSTOMERS AND PARTNERS TO GET THE JOB DONE."

Richard Schlauri, Executive Vice President IT Product Services

Biggest success last year: Turning around the ITPS business

Key strategy for the coming year: Enabling Managed Services growth by aligning, developing and motivating the organization

Dream: A sports car with 5 seats and a hydropowered engine



More Service

The New Fujitsu Siemens Computers

'The New Fujitsu Siemens Computers' synergizes the established strengths of both companies.

Fiscal 2006/2007 was a landmark year in our brief company history. We acquired the former Product Related Services (PRS) arm of Siemens Business Services, renamed Fujitsu Siemens Computers IT Product Services (ITPS). The successful integration of ITPS was more than just the icing on the cake. Our new service arm has positioned us as a full-line supplier and major force in the global IT infrastructure space, sending out a strong signal to our competitors.

'The New Fujitsu Siemens Computers' synergizes the established strengths of both companies. Clearly dispelling any notion that Fujitsu Siemens Computers was a pure hardware player, ITPS extends our offering along the wider value chain and solution lifecycle, combining state-of-the-art Dynamic Data Center (DDC) and Mobility or office products with premium services to create dynamic IT environments. ITPS thus forms an integral part of our brand, helping us to realize our ultimate vision of 'understanding you better, serving you best'.

Not only does the new service arm extend our global reach, it also captures the wealth of experience with our platforms gathered by ITPS over the years. Even more importantly, it gives us a direct line and hands-on insights

into the platform needs of service customers. This opens up massive opportunities for proactive services, cross-

ITPS at a glance

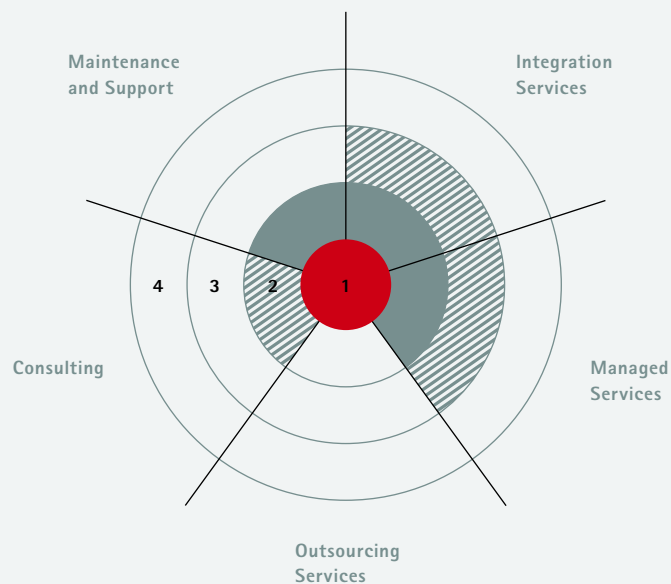
STRONG SERVICE CAPABILITIES

Employees	4,000
Customers	Large enterprises and mid-market companies
Systems under contract	1 million clients; 250,000 servers and mainframes
Solved service incidents per year	760,000
Locations	500 service centers in 23 countries
Geographic coverage	Worldwide delivery in 176 countries

Wider offering**COMPLEMENTARY PLATFORM AND SERVICE BUSINESS UNDER ONE ROOF**

As this graphic illustrates, we do not offer traditional outsourcing services, business process/application consulting or general application services.

- 1 Platform manufacturing
- 2 IT infrastructure services
- 3 Applications
- 4 Business processes



■ Platform business (clients, servers, storage, software)

Fully covered services

Partly covered services

selling, increased share of wallet and higher margins on new revenue streams. And the prospect of a single-source platform and infrastructure service offering is resonating strongly among many of our enterprise customers.

ITPS thus adds weight to our 'we make sure' promise. This extends far beyond actual service delivery to include every step in the process, from the initial customer contact through the helpdesk agents to the way ITPS sells and delivers its services. This quality-conscious culture is the perfect complement to our 'sense of responsibility'. In

addition, strengthening our service capabilities helps us to serve our customers best by giving us greater depth of understanding and access.

ITPS AT A GLANCE

With a revenue of over 1 billion euros, ITPS is the seventh-largest provider of IT infrastructure services worldwide and ranks number three in Germany.

It employs approximately 4,000 dedicated service professionals in 23 countries. With a global network of system integrators and service partners, its capabilities extend to 80,000 experts worldwide (35,000 in Europe) covering 176 countries.

ITPS boasts in-depth experience in the design, deployment and maintenance of complex IT infrastructures. The organization currently manages 1,000,000 clients and 250,000 servers and mainframes on behalf of its customers, solving approximately 760,000 service incidents per year.

In conjunction with its partner network, ITPS covers 80 percent of the entire hardware and software market, enabling it to provide multivendor, best-in-class services and solutions to its customers. Multivendor capabilities are particularly welcome among the growing number of IT departments faced with the challenge of managing a range of diverse hardware and software products from multiple vendors. And a greater service penetration in heterogeneous landscapes means ITPS is ideally positioned to increase our share of wallet on the platform side.

SERVICE PORTFOLIO IN DETAIL

Our service offering is divided into three distinct categories:

- Managed Services
- Integration Services
- Maintenance and Support

We are constantly evaluating our portfolio and aim to expand it in future in response to customer needs, focusing in particular on areas that speed our evolution into an infrastructure provider across all countries.

Managed Services

We act as 'trusted advisor to the CIO', executing various IT management tasks on his or her behalf. This is also referred to as outtasking. These services help companies optimize return on their IT investments, at the same time decreasing total cost of ownership and increasing the quality and flexibility of their IT infrastructure. More particularly, they allow IT managers to leverage the cost benefits traditionally associated with outsourcing, while avoiding the usual pitfalls (such as security and quality

issues, lack of control). Unlike outsourcing, where the service provider assumes ownership of the hardware, outtasking allows CIOs to maintain ownership and in-house control over the IT infrastructure. By delegating operational responsibility, however, the CIO is free to concentrate on more strategic tasks.

Managed Services, in turn, has two distinct go-to-market strategies. On the one hand, Managed Data Center Services concentrate on IT management in data centers. On the other, Managed Office Services for desktop and print environments center on client lifecycle management. Our Managed Services portfolio ranges from managed maintenance solutions, where we look after maintenance and any other service providers involved on behalf of the customer, to complete delivery of an end-to-end service infrastructure, including remote monitoring and helpdesk. The print lifecycle service, for example, can help reduce costs by up to 40 percent. And our client lifecycle service for notebooks and PCs gives IT managers the security of a highly available client and mobile environment.

Integration Services

Here customers benefit from our proven integration and service competence for IT infrastructure solutions, including our own dynamic IT and mobility solutions, and our experience in multi-platform IT environments. Services include consulting, end-to-end IT integration, deployment and expert assistance in infrastructure consolidation and migration. Our Microsoft Migration Services, for example, give customers the cost and scalability benefits of commodity platforms delivering high levels of availability. We offer a modular migration path covering everything from strategic planning and business justification through project management and desktop/server migrations to license management.

Maintenance and Support

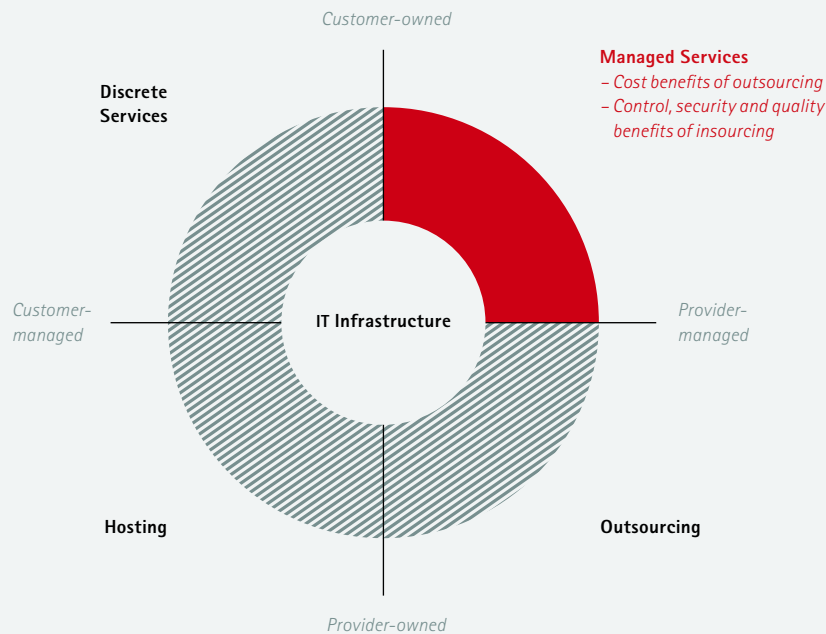
Our experts deliver best-in-class hardware and software maintenance services for heterogeneous, multivendor IT environments. We combine our world-class, leading-edge remote and self-healing service capabilities with competitive, innovative end-to-end maintenance processes for cost-optimized delivery. Concrete services include consulting, system health checks, performance tuning, remote diagnostics, service level planning and escalations. Here

Full spectrum from support to outtasking, but not including outsourcing, business process or application consulting.

Managed Services

OUTTASKING IT INFRASTRUCTURE MANAGEMENT

Unlike outsourcing, where the service provider assumes ownership of the hardware, outtasking allows CIOs to maintain ownership and in-house control over the IT infrastructure. By delegating operational responsibility, however, the CIO is free to concentrate on more strategic tasks.



we focus on enterprise data center maintenance, continuing to rely on our partner network for maintenance of volume products.

SMOOTH INTEGRATION PROCESS

At the start of the year under review, we faced an enormous task. We needed to quickly and efficiently integrate over 4,000 new people into our company and align our respective organizational structures. In addition, we were determined to continue and even expedite the turnaround plan initiated by SBS prior to the sale, increase profitability and put ITPS back in the black within the year. No small undertaking by any means. Yet we applied ourselves to the task at hand with determination and enthusiasm, achieving remarkable results in a very short space of time.

ITPS added to our top line in fiscal 2006/2007, helping us to almost reach the €7 billion mark for the first time. Within just six months, the division achieved turnaround and thus also actively contributed to our bottom line.

There are several reasons for our success, including the rapid alignment of our organizational structures, the leveraging of synergies across back-office and support functions and various inescapable rationalization measures. The combined effect was various joint sales wins among both new and existing customers plus numerous sizeable deals that included Managed Services.

By the end of the year under review, for example, we started aligning our strategies, portfolios and administration processes. In addition, work to harmonize our logistics,



Axel von Varnbüler, Chief Personnel Officer

Strengths: My ability to listen and balance different interests

Weaknesses: Too much patience

Motto: Manage our business but lead our people

Source of inspiration: Nature is the biggest source of inspiration for me at any time

service, support delivery and partner management processes is close to completion. These activities mark the close of our first integration chapter, paving the way for the successful unification of both companies under one roof in many countries – including the UK, where we have moved to the Fujitsu Siemens Computers Campus in Bracknell.

At the heart of these efforts were of course our people. They played a major role in the changes that went into creating ‘The New Fujitsu Siemens Computers’. To facilitate the organizational and process alignment this entailed, we organized joint management workshops during the year under review. The workshops focused on business, culture and people, helping management set the agenda for regional integration in step with company-wide assimilation. We also focused on integration through learning, extending the benefits of our education and development culture to our new colleagues. We already have approximately 1,000 different courses on offer, 700 of which are e-learning based. Also introduced during the year under review, the Talent Management program is designed to identify and promote managerial talent early on to power ‘The New Fujitsu Siemens Computers’ through individual development paths.

TAKING INTEGRATION TO THE NEXT LEVEL

We are already in the process of dovetailing our professional skills and resources. As we unite our sales teams, customers will increasingly benefit from a single point of contact. We will also be harmonizing our product and service development and delivery processes to enable greater synergy effects and bundled offerings (such as solution packs or channel service packs). Looking forward, we will be stepping up the pace and reach of our integration plan in fiscal 2007/2008.

We also anticipate growing return on our active knowledge management strategy. This involves closing the loop on knowledge gained through our Service and Support Center, remote service agents and field service engineers. This information is bundled and made available to all service staff, and then fed into ongoing development activities.

Service-inspired product innovations include Design2Service, which concentrates on building remote maintenance capabilities and higher levels of serviceability into our products. Looking in the other direction, product-driven innovations also filter through to the service side. For instance, our DeskView Load fast-tracks the delivery process by pre-loading customer-specific configurations as requested by our service team.

First integration chapter successfully completed – now gearing up to harmonize product and service development and delivery processes.

“I THINK FUJITSU SIEMENS COMPUTERS IS A GREAT COMPANY TO WORK FOR AND WE HAVE A WEALTH OF TALENTED PEOPLE AT OUR FINGERTIPS. ESPECIALLY IN TIMES OF CHANGE, IT’S IMPORTANT NOT TO LOSE SIGHT OF THE AMAZING POWER AND POTENTIAL WE HAVE. WE PLAN TO UNLOCK OUR STRENGTHS INTO THE FUTURE BY FOCUSING EVEN MORE ON LEADERSHIP SKILLS.”

■ impact

"THE NEW DIFFERENTIATION BETWEEN 'VALUE', 'VOLUME' AND 'ACQUISITION' PUTS OUR SALES TEAM IN A MUCH STRONGER POSITION. IT GIVES US AN EVEN MORE COMPETENT FACE TO THE CUSTOMER. NOW ALL WE NEED TO DO IS GET THOSE FEET OUT ON THE STREET AND MAXIMIZE THE IMPACT FOR OUR BUSINESS. THE HOTSPOT FOR NEXT YEAR INVOLVES BOLSTERING THE VALUE BUSINESS TO CREATE AN EVEN MORE COMPELLING PROPOSITION FOR OUR CUSTOMERS."

Thomas Sieber, *Executive Vice President Sales EMEA*

Professional milestone: Cultural adventure of joining a German/Japanese joint venture

Motto: Be smarter and faster

Dream: Fly my own helicopter



More Value

Solutions and services with real business impact

The extension of our service capabilities creates substantial added value for our customers.

During the past fiscal year, we continued to strengthen our 'we make sure' promise by serving our customers even more competently. Our EMEA large enterprise customer satisfaction survey confirmed the success of our efforts, revealing strong levels of customer intimacy and outstanding ratings for product quality and reliability. We increased our ability to deliver value to our customers in a number of ways over the year under review. These ranged from an enhanced and synergized platform, solution and service proposition to greater skills at the customer interface thanks to our new value/volume sales model. Our new business model also gives us an end-to-end process view across platform sales and product operations and we continued to support the channel with measures that allow our partners to add value without competing with them.

TRANSLATING IT INTO BUSINESS WITH SERVICES

In fiscal 2006/2007, we joined platform operations with our extended service business, speeding our transition to an IT infrastructure provider across all countries. Our new service arm is one of the largest providers of IT infrastructure services worldwide, systematically delivering value to its customers through its broad, deep service offering and

multivendor capabilities. Our service portfolio fully aligns with our strategic focus on Mobility and the Dynamic Data Center. It extends along our entire platform offering, underpinning our innovative office, mobile and data center solutions. This strengthens our role as a trusted IT partner, ready and able to solve the most complex business challenges.

ITPS systematically develops and delivers its services in compliance with well-established management and process frameworks such as Information Technology Infrastructure Library (ITIL). This delivers value for our customers by giving them the benefit of full transparency and high process quality based on ITIL best practices.

Our customers are also set to benefit from far-reaching synergy effects between the platform and service business. The insights we gain from our service operations translate back into a direct advantage for platform customers and vice-versa. Under the umbrella of our 'Design2Service' concept, for example, we started to feed our service knowledge into ongoing product development in fiscal 2006/2007.

Services for data center and office environments

COMPLETING THE PICTURE WITH SERVICES FOR DYNAMIC IT

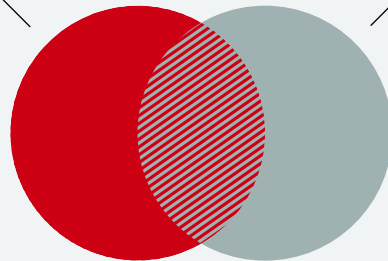
ITPS offers a wide range of services that we are increasingly dovetailing with our platform offering to help our customers evolve towards dynamic IT infrastructures enabling instant responses to changing business conditions. On the one hand, these services for dynamic IT aim to increase agility, efficiency and quality in data centers, at the same time addressing the need for more virtualization, automation and integration across server, storage, network and application layers. On the other hand, Fujitsu Siemens Computers delivers individual office solution stacks that take an end-to-end view across all phases of planning, deployment, operation and maintenance. These offerings address strategic issues such as mobility, connectivity, security and manageability.

Services for data center environments

- *Server integration*
- *Storage integration*
- *Enterprise server solutions*
- *Application infrastructure solutions*
- *Enterprise storage solutions*
- *Managed data center*

Services for office environments

- *Managed office*



Services for data center and office environments

- *Software integration*
- *Installation and rollout services (multivendor)*
- *Hardware/software maintenance (multivendor)*

Hans-Dieter Wysuwa, *Senior Vice President Sales Germany
and Managing Director Germany*

Vision: Position Fujitsu Siemens Computers as a trusted adviser
to each and every customer

Strengths: I am good at motivating people

Weaknesses: Impatience – I need to give time to the organization
to learn and practice

Source of inspiration: Carl and Marie von Clausewitz



Customers can thus expect more and more solutions that are better tailored to their individual needs. They can also look forward to lower costs thanks to improved product quality and serviceability. Another example is our Auto Immune System solution architecture delivered by ITPS, which is being incorporated into a growing number of our products for automated error handling.

BUILDING THE RIGHT RELATIONSHIPS WITH NEW SALES MODEL

During the course of the year under review, we introduced a new sales strategy that differentiates between the value and volume business. It supercedes our former Large Enterprise (LE)/Small and Medium Enterprise (SME) delineation and has already been implemented in all countries. This new model will allow us to increase sales efficiency and build stronger relationships with our customers, especially in the solution business. It also gives our customers the added benefit of clear and consistent responsibilities in the value/volume space. This ensures speed and clarity of roles.

The new value sales organization has put together expert sales forces to concentrate on IT infrastructure products and solutions such as PRIMERGY, BladeFrame, FlexFrame and CentricStor plus services. By sharpening our focus on solution sales, the value sales force presents a more skilled, knowledgeable face to the customer, enhancing loyalty through higher-level consulting. These sales teams also pull together sales and services resources to increase share

of wallet among existing customers. In addition, the value sales force strengthens relations with our value partners such as system integrators and value-added resellers.

The volume line concentrates on increasing market share of business PCs, business mobiles and peripherals. It also pushes certain strategic products such as PRIMERGY servers. To achieve this, our volume sales organization looks at ways of making these products more readily available to prospective buyers and increasing share of wallet among existing customers. Economies of scale and process efficiencies based on increased use of lower-cost sales interfaces such as Web portals boost competitiveness in this area. To strengthen indirect sales, the volume organization at local level is responsible for our mainstream channel business. Their task is to enhance relationships with the channel, continue to make it as easy as possible for the channel to do business with us through an extended tool offering, and support our partners in the move to add value without competing with them.

Under the new sales model, we also created a dedicated acquisition organization. Its mission is to increase our contact rates and share of mind, ultimately broadening our customer base across all value and volume products.

The new sales model is already bearing fruit. During fiscal 2006/2007 we won several complex projects on the strength of our end-to-end focus and also on our ability to combine in-depth solution know-how with pre- and post-sales skills.

The new sales model gives our customers the added benefit of clear responsibilities and stronger relationships.

"WE ARE ALREADY SEEING THE EARLY FRUITS OF OUR NEW ACQUISITION SALES FORCE WITH TENS OF MILLIONS OF TRUE NEW BUSINESS GENERATED LAST YEAR. IN ADDITION, OUR SYNERGIZED SERVICE AND PLATFORM OFFERING IS GENERATING SIGNIFICANT VALUE FOR OUR CUSTOMERS. THIS IS HELPING US TO WIN MORE AND MORE DEALS ACROSS ALL PRODUCT LINES. AND WE'VE ONLY SEEN THE TIP OF THE ICEBERG HERE!"

END-TO-END PROCESS TRANSPARENCY WITH NEW BUSINESS MODEL

In January 2007, we also gave a new face to product operations by restructuring under two new divisions: Infrastructure Products and Consumer and Devices. End-to-end responsibility within both divisions allows us to be more agile and more innovative when dealing with our customers.

Infrastructure Products mobilizes our diverse server, storage, professional desktop, mobile and infrastructure strengths for the benefit of our customers. An integrated approach means we can provide our customers with the best possible end-to-end infrastructure solutions across all hardware, solution and service layers.

Designed to keep pace with the fast-moving consumer market, Consumer and Devices is now an extremely focused organization with highly efficient, rapid processes. It is responsible for our consumer desktops, notebooks, displays and accessories and will be meeting consumer needs through a faster go-to-market strategy and greater market penetration.

EVOLVING TOWARDS TOMORROW'S DYNAMIC DATA CENTER

Over the last fiscal year, we continued to evolve our product, solution and service offering to help customers close the gap between the data center of today and tomorrow's Dynamic Data Center (DDC). Our DDC strategy helps drive business-responsive IT utilizing the latest virtualization, automation and integration technologies. During the year under review, we focused in particular on the growing importance of virtualization in the move to align IT environments with changing business dynamics.

We also focused our energies on simplifying the transition towards Service-Oriented Architectures (SOAs). This type of architecture increases agility by eliminating the traditional physical ties between applications and dedicated servers. As a result, resources can be allocated on demand, and applications can be scaled up and out as needs change. SOAs and adaptive business applications are only possible if the underlying IT infrastructure supports this type of dynamic provisioning. That is where our DDC offering comes in. We give our customers the opportunity to capitalize on the benefits associated with a gradual roadmap towards a DDC. These include the cost efficiencies of a step-by-step consolidation path, the administration efficiencies of central resource management, predictable service levels and the reassurance of knowing that their evolving architecture is SOA-ready.

"WE TOOK OUR DYNAMIC DATA CENTER STRATEGY TO THE NEXT LEVEL LAST YEAR, DELIVERING NEW DYNAMIC IT SOLUTIONS SUCH AS PRIMERGY BLADEFRAME OR DYNAMIC IT FOR MICROSOFT. BUT EVEN MORE TO THE POINT, WE COMPLETED THE PICTURE BY UNITING SERVICE AND PLATFORM CAPABILITIES UNDER ONE ROOF."

Dieter Herzog, *Executive Vice President Infrastructure Products*

Vision: Make Fujitsu Siemens Computers THE European infrastructure provider

Motto: Nothing is impossible to a willing heart

Dream: Travel around the world on steam trains



Fiscal 2006/2007 saw extremely positive market resonance to our growing DDC offering.

Fiscal 2006/2007 saw extremely positive market resonance to our growing DDC offering. Innovation highlights during the past fiscal year included the launch of x10sure, a business continuity offering specifically for mid-sized companies and branch offices of large organizations.

Other hotspots included the launch of Dynamic IT for Microsoft, the first dynamic, self-managing platform for Microsoft-based environments, and a raft of PRIMERGY BladeFrame innovations. These and other new dynamic offerings strengthened market perceptions of our role as a trusted DDC partner.

BRINGING THE BENEFITS OF UNLIMITED MOBILITY TO OUR CUSTOMERS

Mobility remains high on the agenda of most decision-makers.

Mobility remains high on the agenda of most decision-makers. Few companies can afford to overlook the productivity and responsiveness gains of a mobile infrastructure. With our complete lineup of handhelds, tablet PCs and notebooks, we leverage our technology leadership to bring the latest innovations to our customers ahead of the market. During the year under review, for example, we brought our customers closer to the vision of unlimited connectivity with a full range of embedded 3G/UMTS¹ mobile products offering the highest possible transmission speeds thanks to HSDPA², also evolving towards HSUPA³. We ensured that our entire portfolio of embedded products was certified by a record number of telecommunication operators throughout EMEA. In addition, we released several flagship products during fiscal 2006/2007 that meet the growing interest in design among discerning users. Devices such as the LIFEBOOK Q and P Series offer the perfect synthesis of form and function with designs that not only look good but also offer outstanding functionality.

During the past fiscal year, we rolled out a number of flexible service concepts aimed at minimizing risk and maximizing the return on mobility investments. We help our customers define and implement the right strategy in heterogeneous mobile environments. This involves defining concrete policies governing the portfolio, including connectivity, security and manageability options. Our service stretches along the extended lifecycle of the mobile infrastructure – from procurement and installation through support, updates and maintenance to ‘retirement’ or ‘refresh’ at the end of the service life. Innovative financing and customization services ensure the perfect fit for every business plan and budget.

INCREASING APPEAL ACROSS OUR DIGITAL HOME AND CONSUMER BUSINESS

In the consumer business, we aligned our offering more closely with market demands during the year under review. This involved a greater focus on desktops and notebooks as our core products and some streamlining of our portfolio. We are aiming for more robust performance from our consumer mobiles with plans to combat growing price pressures through improved end-to-end efficiency. We are also expanding our presence and market visibility through closer cooperation with the retail chains.

The digital home market is expanding rapidly. By 2010, it is estimated that an impressive 80 percent of European homes will have a broadband connection. In fiscal 2006/2007, we continued to enhance our portfolio to capitalize on this fast-growing market, bringing users the enjoyment and simplicity they demand in the home. Our products intensify the ‘excitement factor’ associated with home entertainment, at the same time making home networks easier and more intuitive to set up and operate thanks to seamless interoperability. Our focus here is on enriching our core products with Digital Home functionality, with a view in particular to further bridging the world of TV and computer networking in fiscal 2007/2008.

¹ UMTS, Universal Mobile Telecommunications System

² HSDPA, High Speed Download Package Access

³ HSUPA, High Speed Upload Package Access

CREATING VALUE FOR SOCIETY AT LARGE

At Fujitsu Siemens Computers, we also look at innovative and creative ways of adding value to those communities in which we are based. We actively encourage our employees to become involved in community projects and charitable causes. Our strong sense of corporate and social responsibility inspired numerous new projects during the year under review.

In Germany, ongoing support and sponsorship of Initiative D21 is reflected in the fact that our President and CEO, Bernd Bischoff, is currently President of D21. Europe's largest public-private partnership, D21 brings together some 200 representatives from business, politics and NGOs with the aim of advancing Germany into the information and knowledge society through digital integration, excellence and competence. In particular, it plans to halve the number of people with limited access to information and communications technology in Germany by 2010.

We also continue to implement the United Nations Global Compact, stepping up our proactive measures by introducing a Corporate Social Responsibility Audit in fiscal 2006/2007. This involves auditing a select number of suppliers each year to make sure they are complying with the International Labor Conditions expressed in the Compact.

During the year under review, we also got involved in two projects aimed at helping children in different parts of the world. Through our FSCgoes4kids initiative, started in spring 2007, we are giving sports clubs and schools across Europe the opportunity to buy soccer tricots for entire teams at attractive prices. Part of the proceeds will go to World Vision for educational projects in Africa. We also continue our support for the NEPAD (New Economic Plan for African Development) e-schools initiative. This pan-African project is targeting more than half a million schools on the continent with the aim of improving the provision of education services in schools and equipping the population with information and communication technology skills. The second phase of the project has now been started – this will involve supplying and upgrading an estimated 600,000 schools within 10 years.

■ improve

“SOLVING THE UNSOLVABLE HAS ALWAYS HELD A CERTAIN CHARM FOR ME. MY MISSION IS TO PROVE OUR TECHNICAL CAPABILITIES AND IMPROVE THE STRENGTH AND REACH OF INNOVATION THROUGHOUT THE COMPANY. SO WE LOOK FOR WAYS OF HELPING CUSTOMERS EVOLVE TOWARDS DYNAMIC INFRASTRUCTURES ON SHRINKING BUDGETS. OR BRINGING THE LATEST TECHNOLOGIES TO CONSUMERS WHILE INCREASING ENERGY SAVINGS ... THE LIST GOES ON AND ON.”

Dr. Joseph Reger, Chief Technology Officer

Professional milestone: Moved from an American to a European company where decisions are not made in distant headquarters

Vision: Use technology to help mankind solve its problems before we freeze or burn

Motto: Doubt is the origin of wisdom

Source of inspiration: Taekwon-do Grandmaster Kwon Jae-hwa



More Innovation

Turning simple ideas into great innovations

Reinforcing the role of innovation throughout the company with stronger Technology Team, structured Innovation Process and Innovation Intents.

At Fujitsu Siemens Computers, we view innovation as a long-term strategic commitment rather than a fashionable one-off event. Our aim is to support our 'go for growth' initiative by providing our customers with innovative products, solutions and services for integrated data center, office and mobile environments and by delivering consumer products that are easy and enjoyable to use.

STRONGER INNOVATION FOCUS

During the year under review, we reinforced the role of innovation throughout the company. Not only did we strengthen our Corporate Technology team, we also stepped up our efforts to foster external technology cooperations and transfers. Our aim is to harness the creativity, passion and curiosity of all employees. To speed the success of our efforts in this area, our Innovation Office introduced a structured 'Innovation Process' designed to increase the innovation flow and manage our employees' most promising ideas.

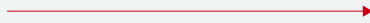
These ideas are inspired by our 'Innovation Intents' and fostered by cross-functional Innovation Coaches. We currently have five innovation intents addressing different

customer needs. These intents identify the most important innovation goals overall and thus offer the highest potential for value-add. Employees are actively encouraged to formulate ideas offering unique selling propositions and clear benefits around these intents.

REWARDING INNOVATION

Our Innovation Award supports our Innovation Process by rewarding employees who have produced outstanding innovations with real business impact. Last year's prize went to the inventor of Auto Immune Systems (AIS), a solution that proactively prevents availability and security problems before they arise, rather than identifying them after they have happened. AIS has now been turned into reality and businesses are already benefiting from this new level of service.

Looking to the future, we plan to approach the market as a highly focused 'pioneer'. This involves continuing to build on our 'new to Fujitsu Siemens Computers' innovative efforts by extending our existing portfolio to meet current customer needs. However, it also entails strengthening our core business with radical, timely

Innovation focus**INNOVATION INTENTS ADDRESS CONCRETE CUSTOMER NEEDS****Customer Issue**

Reduce complexity in IT operations
Ease of use and individuality
Energy efficiency and environmental friendliness
Organization and individual productivity gains
Better ROI/TCO for IT

Innovation Intent

- ▶ *Simplify IT operations with competent service offerings*
- ▶ *Fascinate customers with ease of use and design*
- ▶ *Save the planet with green IT*
- ▶ *Boost productivity with mobility solutions and services*
- ▶ *Optimize data center environments with best-in-class solutions*

'new to the world' innovations that pre-empt evolving customer needs. To support our work in this area, we plan to incorporate customers and third parties increasingly into our innovation process.

DYNAMIC IT SOLUTIONS FOR LARGE AND MID-SIZED ENTERPRISES

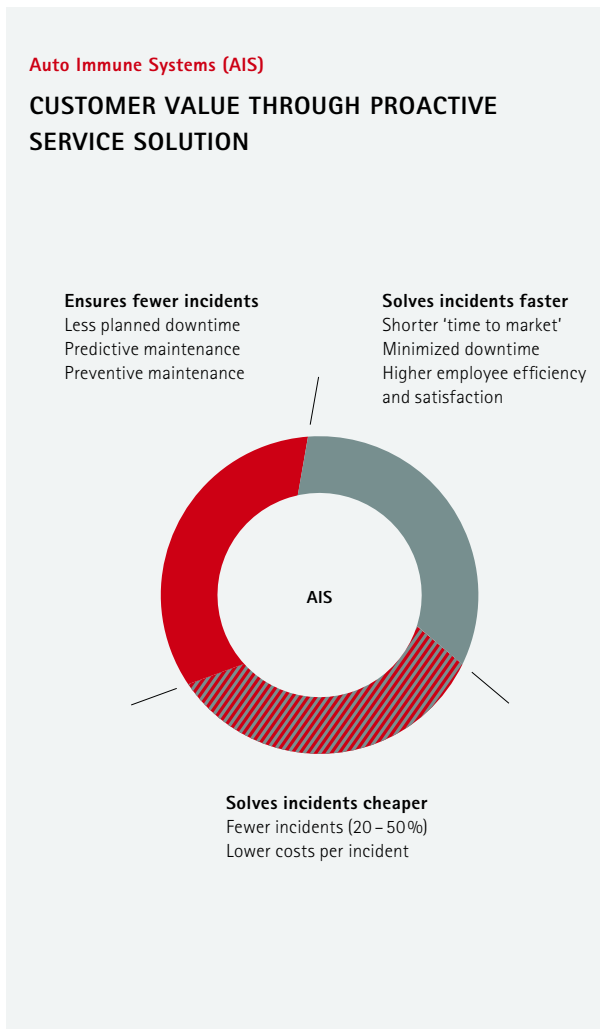
During fiscal 2006/2007, we introduced and enhanced a wide range of dynamic IT solutions that directly address growing demands for virtualization, automation, integration and service-oriented architecture capabilities in the data center. We are committed to bringing the latest innovations to our customers as quickly as possible. When Intel Quad-Core technology was released in November 2006, for example, we simultaneously announced the availability of Quad-Core technology across our entire server range and in our high-end workstations for unprecedented levels of performance. A few of our product and solution highlights from fiscal 2006/2007 are outlined in the following:

Self-healing with Auto Immune Systems

To meet growing demands for cost savings through increased management automation, we launched Auto Immune Systems (AIS) in fiscal 2006/2007. This architecture solution facilitates active immunization of IT systems through self-learning and self-healing. We continue to evolve this platform towards the ultimate goal of automated immunization and global rollout across many product lines.

Auto Immune Systems is a knowledge management solution that represents a new service paradigm. It increases availability at significantly lower service cost by avoiding, predicting and reacting to IT incidents. At the heart of AIS is a service engine which controls learning-based incident diagnosis, automated reactions and third-party knowledge integration. Key functionality includes:

- Painless Defect. When an error occurs, AIS is designed to heal itself automatically – within seconds and without interruption. This enhances user productivity.



- Painless Immunization. AIS learns from past incidents to enable proactive maintenance in the future. A feedback loop means we are constantly enhancing the quality of AIS and preempting new issues before they even occur.
- Innovative Pricing. AIS is designed to ensure smooth operations. This allows our service team to offer innovative pricing, where we not only buy into risk sharing, but also benefit sharing thanks to higher availability.

First highly dynamic virtualization solution for Microsoft-based environments

Dynamic IT for Microsoft is the first dynamic self-managing infrastructure solution for Windows applications. This new solution extends our highly successful FlexFrame

for SAP Business Suite by adding Microsoft to the UNIX and Linux choices already available. FlexFrame for SAP already has an installed base in excess of 150. PRIMERGY BladeFrame passed the SAP Adaptive Computing Compliance test in May 2006.

With Dynamic IT for Microsoft, Fujitsu Siemens Computers, Microsoft and EMC are setting another milestone in the evolution towards the DDC of tomorrow. Dynamic IT for Microsoft offers an application-driven data center for both standard Microsoft applications, such as SQL Server, Exchange Server and SharePoint Server, and for solutions such as SAP Business Suite. It unites the power of cutting-edge server and storage resource management with application and system management to create a solution that significantly cuts the costs and effort involved in running Microsoft-based environments.

IT resources are utilized optimally and high availability of all business-related enterprise applications is achieved through constant monitoring of hardware and applications.

Step-by-step migration path with FlexFrame for Oracle

The first FlexFrame for Oracle installations have now been successfully completed, bringing the benefits of a dynamic infrastructure solution to customers running application and database services on Oracle for the first time. The latest version of FlexFrame for Oracle launched during fiscal 2006/2007 is compatible with Storage Area Networks (SAN) as well as Network Attached Storage (NAS). This gives customers with mixed storage environments much greater flexibility. We've also extended database support from Oracle 10g through to Oracle 9i in a non-clustered environment, making FlexFrame for Oracle ideal for database consolidation projects. And to enable a step-by-step migration plan, customers can migrate their Oracle databases to FlexFrame for Oracle first, followed by their Oracle application servers at a later date.

PRIMERGY leverages power of latest processors

PRIMERGY servers are one of our core strategic product lines. In fiscal 2006/2007, our dedicated sales and marketing activities successfully positioned our industry-standard servers on the growth path. We plan to accelerate

the current pace of growth to realize our ambitious future plans for PRIMERGY. This entails evolving the PRIMERGY line towards higher-value systems and differentiating PRIMERGY more clearly through bundled software and service offerings.

As soon as Intel released its latest Xeon Quad-Core processors in November 2006, we announced the availability of numerous PRIMERGY servers on that platform. The Quad-Core platform almost doubles performance-per-watt compared with the predecessor generation, Dual-Core. The latest generation of PRIMERGY servers also comes with our innovative air flow cooling technology. Cool-safe ensures optimum performance even at peak temperatures, extending the service life of PRIMERGY servers.

Furthermore, AMD processors are now available across our PRIMERGY rack and blade server range. We are the only vendor worldwide to use the AMD HyperTransport technology to connect 2, 4 or 8-way plug-in blades.

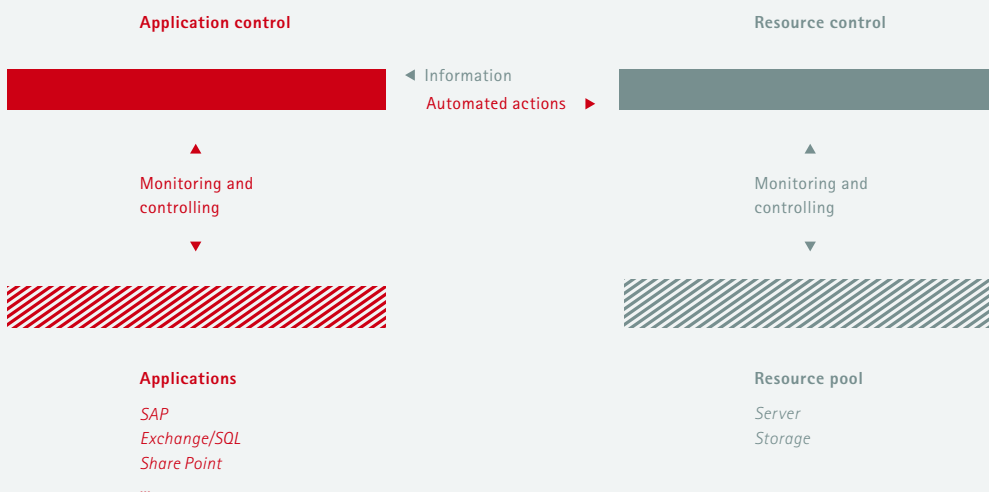
New dimension in blade virtualization

A new software add-on to PRIMERGY BladeFrame, our virtualized server pool, brings new levels of agility and simplicity to the data center. Virtualized Blades (vBlades) in combination with PAN Manager software herald an entirely new way to manage both physical servers and virtual machines. vBlade software extends the high availability, disaster recovery and other critical services from physical to virtual resources, confirming BladeFrame's role as the flagship of the DDC. This means that customers

Service-oriented infrastructure

DYNAMIC IT FOR MICROSOFT

This solution integrates application-level service management with server-level resource management. This creates a service-oriented IT infrastructure. Compute and storage resources are dynamically assigned to Windows applications to maintain the availability and response times defined in service level agreements. This solution is built around a virtualized PRIMERGY BladeFrame server pool, networked storage from EMC and System Center Operations Manager from Microsoft.



Peter Eber, *Executive Vice President Consumer and Devices, Supply Operations*

Strengths: Ability to look at things from different perspectives

Weaknesses: Sometimes I find it hard to say no

Motto: Learn from the past, exploit the present, influence the future

Dream: Travel to other planets



can now take advantage of the benefits of virtual machine technology without adding another layer of management to their data centers. Market response to these innovations was extremely positive – building on a highly successful launch towards the end of 2005, BladeFrame sales went on to double-digit million revenue during fiscal 2006/2007. This increase was also fueled by our PRIMERGY BladeFrame sales push, a three-year initiative designed to capitalize on our unique ability to simplify the data center and cut costs.

Even higher availability with CentricStor

We released a new version of our CentricStor virtual tape appliance at the start of 2007. Thanks to its grid architecture and true tape virtualization, CentricStor offers unmatched scalability, disaster tolerance and TCO reduction, also supporting tape-based information lifecycle management (ILM). The new version includes greater scalability and new service capabilities specially tailored to customer requirements. We placed a special focus on even greater availability in order to provide enhanced business continuity. The new release also supports on-the-fly reconfiguration, providing further proof of the enormous potential offered by CentricStor's grid architecture.

During the year under review, we also launched two new entry-level models offering companies attractively priced access to the world of cutting-edge virtual tape technology. Other CentricStor highlights during the year included certification by Network Appliance for accelerated backup and elimination of resource bottlenecks, IBM validation of compatibility with IBM Tivoli Storage Manager for

extended integration flexibility and the seal of approval from CA, bringing CentricStor's powerful lifecycle management capabilities to BrightStor ARCserve customers.

New infrastructure solutions for medium-sized companies

Over the past fiscal year, we expanded our offering targeted at mid-sized companies. Demand for IT-enabled business process support is rising in this segment for a number of reasons. These include the need for backend integration with larger suppliers and partners, supply chain management integration to support global sourcing strategies and front-end integration to empower an increasingly international sales force. The importance of externalized storage is also rising for many companies in this segment. To meet these needs, we introduced bundles such as 'My very first SAN' during the year under review, bringing the enhanced data protection of a SAN to mid-sized companies in a complete solution with market-leading, pre-tested components such as a FibreCAT SX storage system, Brocade SAN switches and powerful host bus adapters from Emulex. We also launched two attractively priced network-attached FibreCAT NX storage systems.

At CeBIT 2007, we announced various extensions to our rack server portfolio for the mid-market. These included two new additions to our PRIMERGY server line, the RX330 S1 and Econel 230R S1 rack servers. Both form factors are based on the latest AMD Opteron Dual Socket processor technology. The new additions are ideal for SMEs, Internet Service Providers and Application Service Providers. The RX330 S1 balances top-level performance and high

Extended infrastructure offering for mid-sized companies with new solution bundles and server choices.

"FOR ME, RESULTS COUNT. IT'S NOT WHAT WE SAY ABOUT OUR PRODUCTS AND SOLUTIONS THAT MATTERS – IT'S WHAT OUR CUSTOMERS, PARTNERS AND THE EXPERTS THINK. AND THE MESSAGE WAS CLEAR LAST YEAR WITH A RECORD NUMBER OF PRODUCT AND DESIGN AWARDS. ALL YOU HAVE TO DO IS TAKE ONE LOOK AT THE LIFEBOOK Q, FOR EXAMPLE, TO SEE WHY WE ARE INCREASINGLY POSITIONED AS THE IT BRAND OF CHOICE."

availability with tightened IT budgets. The Econel 230R S1 is the first PRIMERGY Econel rack server designed as an entry-level server and delivers business-class performance and scalability on an economy budget. During the year under review, we also released x10sure, an easy, high availability IT solution for small to medium-size enterprises. In the always-on age, x10sure brings Formula One race-car technology to the public highway, providing near-enterprise levels of system availability at extremely attractive prices. Several productive servers share one spare system. If a server fails, x10sure restarts services on the spare server in a matter of minutes, resulting in availability levels of up to 99.95 percent. This solution is exclusively sold via our network of certified partners.

DYNAMIC MOBILITY

The explosion of mobile devices and applications presents companies with a number of opportunities and challenges. Attracted by the prospect of greater productivity, cost savings and higher staff morale, at least 70 percent of organizations now have some type of mobile application¹ in use. To help companies turn mobile technologies into business enablers, we introduced numerous mobile innovations to the market during the year under review. These were inspired primarily by growing demands for broadband connectivity on the one hand and a rising interest in design on the other.

In fiscal 2006/2007, we launched the LIFEBOOK Q Series executive notebook, the world's first professional notebook with embedded 3G/UMTS/HSDPA connectivity in lightweight, 18mm-slim housing weighing just one kilo. Since then we have extended the benefits of seamless connectivity anytime and anywhere and are now the first IT supplier with a full range of embedded UMTS products ranging from handhelds to mobile workstations.

On the design front, we released several award-winning products during the year under review that raised the bar for elegance and style. These included the LIFEBOOK Q and P Series, the Pocket LOOX N Series and the ESPRIMO Q Series. The following gives a brief overview of some other mobile highlights during the year.

Leading the way with the Pocket LOOX

Mid-2006, we introduced the world's smallest and lightest personal navigation assistant (PNA), the Pocket LOOX N100 Series. Ideal for use in the car, on the bike or even on foot, it's also a portable sound system thanks to the integrated MP3 player. The sleek design with integrated antenna and interchangeable colored front covers makes it an appealing choice to the design-conscious.

Always connected with the new LIFEBOOK professional notebooks

In November 2006, we launched the second convertible notebook with integrated UMTS, the LIFEBOOK T4215. All our convertibles feature handwriting recognition and a display that can be rotated through 360 degrees. Also in November 2006, we released the LIFEBOOK P1610 convertible notebook weighing in at less than one kilo. Much of our LIFEBOOK range now offers integrated UMTS as standard.

In March 2007, we introduced our dashing new LIFEBOOK P7230, offering not only integrated WLAN, Bluetooth and UMTS/HSDPA, but also an integrated ConfCamera for video conferencing. It is the smallest and lightest notebook equipped with a modular bay currently on the market. With the LIFEBOOK P7230, we were also the first to demonstrate a notebook supporting the new UMTS standard HSUPA. Enabling a new mobile Internet experience with an upload speed of 1.4 MBit/s, this latest standard underpins our leading technological position with mobile professional products.

More choice and power from our consumer notebooks

During the year under review, we introduced our first consumer notebook with embedded UMTS, the AMILO Si 1848+u. This sleek, classy notebook raises the bar for mobility and connectivity with a four-hour battery runtime and Bluetooth. At the start of 2007, we launched AMILO Xa 1526, a fantastic multimedia powerhouse and the first consumer notebook to leverage AMD LIVE! technology. With an impressive midnight brushed design, this elegant notebook allows users to enjoy all their movies, games, pictures and music in superb high-definition quality. Integrated wireless LAN allows users to easily connect to the Internet and Bluetooth capabilities ensure cordless connectivity to mobile phones, headsets and other devices.

Helping companies with a wide range of innovations addressing growing demands for connectivity and design.

¹ Forrester, Report: The State of European Enterprise Mobility in 2006 by Jenny Lau, 13.10.06

Embedded connectivity**MOVING UP IN BUSINESS WITH UMTS**

Fujitsu Siemens Computers is the first supplier to offer the full range of mobile products with embedded UMTS.

Handhelds

- Pocket L00X T Series, the all-in-one handheld

Consumer notebooks

- AMILO Si 1848+u, slim sensation, simply spectacular

Professional notebooks

- AMILO PRO V3525/3545 Edition, the gateway to professional mobile working
- LIFEBOOK E8210, the feature-rich, secure notebook with solid performance
- LIFEBOOK P1610, notebook and powerful tablet PC in one
- LIFEBOOK Q2010, the notebook with true executive style
- LIFEBOOK T4215, the first UMTS convertible
- LIFEBOOK P7230, the ultraportable business notebook with embedded UMTS/HSDPA and an integrated ConfCamera

Mobile workstation

- CELSIUS H240, the workstation-class notebook

Our Intel-based AMILO consumer notebook line now comes with latest Intel Dual-Core processors. Other impressive releases during the past fiscal year included the AMILO Xi 1547, our first notebook with HD-DVD playback capabilities for brilliant, high-resolution viewing and graphics performance.

Windows Vista available as standard

All our notebooks come with the option of Windows Vista, the successor to Windows XP. This new Microsoft operating system for business and home clients offers a raft of new benefits. For example, users can edit, sort and share photos and videos. In addition, switching from one application to another is easier and security settings have been improved.

ON TOP WITH NEW DESKTOPS

Similarly, our professional and consumer PCs all now come with Windows Vista. Other highlights on the consumer desktop front during the last fiscal year included a sleek new design for our entire SCALEO desktop range. This design will have been rolled out to all models by May 2007. To meet growing demands for multimedia performance in desktops, we are systematically introducing AMD LIVE! and Intel Viiv technologies across all product families.

In fiscal 2006/2007, we launched the ESPRIMO Q 5000, a stylishly designed mini PC with a small footprint, low power consumption and whisper-silent noise levels. To coincide with the Intel launch, we introduced new ESPRIMO professional PCs with the latest Intel vPro technology.

In July 2006, we introduced a new series of CELSIUS workstations with the latest Intel technology. This series also comes with an improved chassis for extra quiet operation. Taking performance up a notch, we integrated Intel Quad-Core technology into our CELSIUS R Series for even greater processing power and memory capacity.

DeskView Load, our ex-works client personalization service, is a typical example of the synergies created through our integrated service offering. The roots of DeskView Load are to be found in our service arm. By loading customer-specific software configurations, DeskView Load eliminates a step in the logistics chain, thus cutting costs, saving time and improving quality.

DYNAMIC HOME

Innovations on the digital home front included the world's first Follow me TV feature, the second generation of our

Latest Intel and AMD processor technologies bring multimedia performance to a growing number of our desktops.

SCALEO H desktop PC, a Viiv-ready version of SCALEO EV, a new SCALEOVIEW H 22-inch flatscreen and new ACTIVY products. In addition, we started reducing the visual complexity of our products to make operation more intuitive. We have also simplified and streamlined installation and set-up procedures.

New levels of freedom in the home with Follow me TV

Continuing our track record of industry firsts for the digital home, we premiered Follow me TV during the year under review. This revolutionary feature is set to transform viewing habits, exemplifying the benefits of our home networking strategy. It allows viewers to pause a live TV program, move to another room and resume play on another device without missing a single second of the action. Follow me TV also works with music, photos and videos. The Follow me TV function is made possible by a new software version for the ACTIVY Media Center, which records television broadcasts in the background and makes them available from Universal Plug and Play (UPnP)-enabled TVs or PCs linked via a wired or wireless local area network (LAN). UPnP, a core technology in the Intel Viiv ecosystem, is supported across our range, including MYRICA televisions equipped with the ACTIVY Media Player 150, SCALEO consumer PCs and AMILO consumer notebooks.

INNOVATION WITHIN

A closer look reveals that the innovation machinery was also in full swing within company walls. For example, within a mere twelve months, we successfully migrated many legacy applications in use at ITPS to standard Fujitsu Siemens Computers platforms built around virtual servers. This migration greatly simplified cooperation with our new employees – an important step in the move to improve service delivery to our end customers in future. In migrating our Siebel and SAP solutions to PRIMERGY BladeFrame platforms, we drew on the vast experience we have gained from numerous customer deployments to reduce our own total cost of ownership (TCO) by almost 40 percent. Now we have successfully completed the Siebel and SAP migrations, we are turning our attention to our web server infrastructure. On the marketing front, are driving our customer intimacy focus with a new com-

pany-wide Customer Relationship Management (CRM) marketing suite which we rolled out during the year under review. This suite increases the planning, management and execution efficiency of our marketing campaigns across all customer touch-points. This allows us to align our marketing campaigns with concrete customer challenges and interests. In addition, our new, lean business model gives us greater speed and agility in bringing new products to our customers. We have also streamlined our product introduction processes, tailored our logistics chains to individual delivery needs, and introduced a new forecasting tool to increase the efficiency of planning and execution. Finally, we continue to increase the efficiency of our channel business, largely through the use of EDI, our channel partner portal and electronic communications. These measures enabled us to improve our sellout to mid-sized resellers over the year under review, making it even easier for partners to do business with us.

PRODUCT INNOVATION WITH A SENSE OF RESPONSIBILITY

The importance of our company directive to design and manufacture environmentally conscious products is reflected in the fact that one of our five Innovation Intents is devoted entirely to this topic: 'Save the planet with green IT'. Energy ratings continue to grow in importance, magnified by the EU Energy using Products (EuP) directive due to be implemented in concrete steps as of spring 2008. We currently support the country-specific implementation framework for PCs, notebooks and computer displays. Our commitment to energy efficiency was also reflected in November 2006 through our active contribution to the definition of energy efficiency measurements at the Club of Rome Symposium in Helsinki. In addition, we set up an internal energy-savings project group to look at innovative ways of reducing energy consumption through features such as intelligent power management. Our ESPRIMO PCs, for example, already halve the energy and CO₂ footprint relative to standard products thanks to power management, new processors and green technology. Green PCs now account for more than 70 percent of all professional PCs sold. And our LIFEBOOK C1410 was the first notebook officially proven to comply with the demanding 'Nordic Swan' environmental standard.

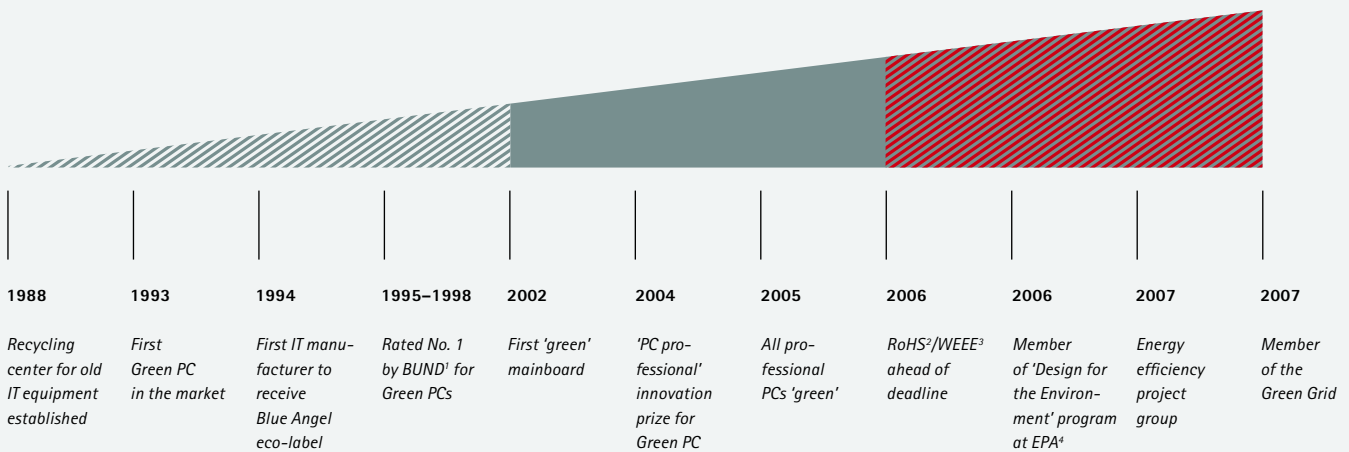
Follow me TV set to revolutionize viewing habits in the home, exemplifying the benefits of our home networking strategy.

Energy-savings project group investigates ways of further reducing energy consumption.

Environmental care

LEAPING AHEAD IN GREEN TECHNOLOGY

As the following timeline illustrates, we have a long-standing, strong commitment to the principles of environmental sustainability.



We continue to look at ways of helping enterprise customers follow through on their corporate social responsibility commitments through greener data centers. Our efforts in this area concentrate on maximizing data center intelligence and reducing carbon footprint, for example, by integrating components offering maximum efficiency and leveraging power-save functionality. Energy savings in this area also have a substantial impact on electricity bills. In short, Fujitsu Siemens Computers is committed to incorporating environmental and space considerations into the very first steps of the design process.

In fall 2006, we joined the 'Design for the Environment' program at US Environmental Protection Agency (EPA) to reduce the individual health risks and environmental damage that can be caused through IT production by searching for innovative alternative, environmentally conscious substitutes for brominated flame retardants.

Fujitsu Siemens Computers also recently joined the Green Grid, a consortium of IT companies and professionals seeking to lower the overall consumption of power in data centers around the globe.

We continue to foster good contacts with non-government organizations and are happy to see that our environmental ratings, for example from Greenpeace, improved during the year under review. We are also working closely with the ÖKO Institute to advance developments in the area of sustainable production and consumption. During the past fiscal year, for example, we contributed to a large research project, 'Social Aspects in the Production of Computers', which focused on the growing production of notebooks. This research project looks at ways of incorporating a social impact assessment across the entire production lifecycle.

¹ German branch of "Friends of the Earth"

² EU Directive on the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment

³ EU Directive on Waste Electrical and Electronic Equipment

⁴ U.S. Environmental Protection Agency

addresses

"WE CONTINUE TO ADD TO OUR BRAND IDENTITY BY STRENGTHENING OUR 'WE MAKE SURE' PROMISE TO OUR CUSTOMERS AND PARTNERS. AT THE SAME TIME, WE'RE ALSO BUSY EVOLVING OUR BRAND DESIGN. I'M REALLY EXCITED AT THE PROSPECT OF A UNIQUE LOOK AND FEEL ACROSS ALL PRODUCT LINES. MY GOAL IS TO ADDRESS A WIDER AUDIENCE BY DIFFERENTIATING OUR OFFERING FROM THE 'ME-TOO' SEA OF PRODUCTS OUT THERE."

Barbara Schädler, *Chief Marketing Officer*

Vision: Establish Fujitsu Siemens Computers as the 'must-have' IT brand

Strengths: Getting things done together with my team

Dream: Take a year off and travel the world

Motto: Better to be inspired by hope than driven by fear



More Reach

Evolution towards a dedicated infrastructure provider

Accelerated transition from platform-centered enterprise into a dedicated infrastructure solution business.

Our strategy for fiscal 2007/2008 looks at further strengthening our company profile, maximizing our new strengths and nurturing even closer ties with our customers.

The integration of ITPS and the organizational changes we put in place over the past fiscal year have extended our value chain, allowing us to reach new customers in new regions. By reshaping and raising our company profile, our new service arm accelerates our transition from a platform-centered enterprise into a dedicated infrastructure solution business across all countries where we have a local presence. In other words, we will offer our customers a single point of contact for their hardware, solution and service needs, creating proactive, integrated infrastructure offerings that meet individual business continuity requirements.

Not only does our synergized offering extend our geographic footprint, it also gives new meaning to our relationships with our customers and employees.

REACHING OUT TO OUR CUSTOMERS

ITPS is set to take customer relationships to the next level by further deepening our understanding of our customers' needs and extending our ability to meet those needs.

Our service strategy envelops both our infrastructure and volume offerings. We will deliver compelling value to both sets of customers – especially once operations have been fully integrated in fiscal 2007/2008. This involves teaming up sales forces to present one face to our customers.

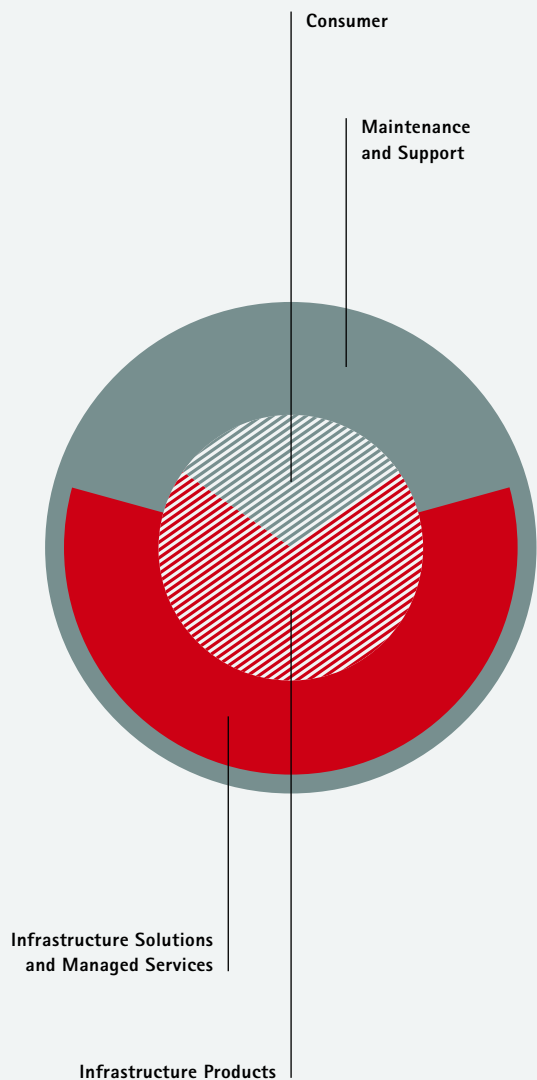
Although we have extended our footprint, size remains on our side – giving us the added benefit of agility and speed. We will continue to build on our local presence across EMEA and our European focus to keep us close to our customers. In addition, we are in the process of reinforcing our 'we make sure' promise. We want our customers to really feel that we take our special sense of responsibility seriously and that we meet and exceed our promises to customers, partners, stakeholders and employees.

The combined effect of these measures will be new-found levels of customer intimacy, set to become a defining element of our company-wide DNA. Increasingly, our customers will see us in the role of trusted advisor rather than a pure supplier.

Full integration

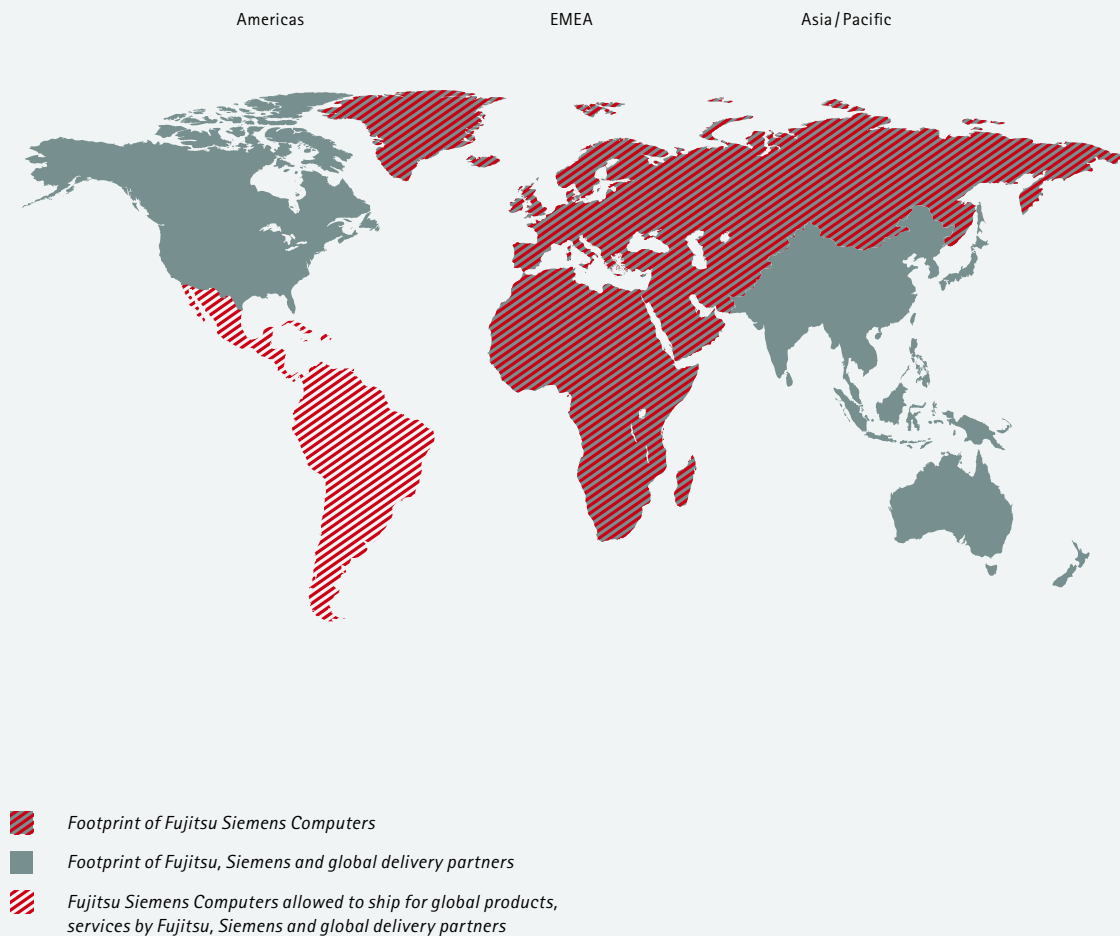
INFRASTRUCTURE PROVIDER ACROSS ALL COUNTRIES

Now that we have successfully joined our service and platform organizations under one roof, our future plans focus on fully integrating and aligning our platform and service offering as we evolve into a dedicated infrastructure solutions provider with a unique value proposition across all countries where we have a local presence.



Global reach**SERVING CUSTOMERS IN 176 COUNTRIES WORLDWIDE**

The acquisition of ITPS in fiscal 2006/2007, flanked by our global network of delivery partners, has extended our reach to 176 countries across all continents. Close, worldwide collaboration with our shareholders builds on our traditional stronghold in Europe, the Middle East and Africa (EMEA) to also give us a wide footprint in the Americas and the Asia / Pacific region. As we step up the pace of integration, we will be looking to bring our multinational customers the benefits of true global account management in cooperation with our shareholders.



REACHING OUT TO OUR EMPLOYEES

Now that we have set up new structures and processes as part of the ongoing integration process, it is up to our people to make the new organization a success by living and breathing it.

The integration of some 4,000 new employees has given us a much broader footprint to reach new and existing customers. Already in the process of dovetailing our professional skills and resources, we are now aligning employment conditions and incentive schemes. In addition, in some countries both organizations have already moved under one roof or are in the process of doing so. In Germany, for example, we are currently jointly moving our headquarters to the new Highlight Tower in Munich.

At 'The New Fujitsu Siemens Computers', employee learning and development remains a key priority, especially now that our business is more a 'people business' than ever before. Over the coming fiscal year, we will be offering our employees an even more extensive variety of training and learning programs across a wide range of formats.

SERVICES BEATING AT THE HEART OF OUR BUSINESS

Services are positioned as the key vehicle in our journey towards becoming a cross-country infrastructure provider with an in-depth knowledge and understanding of our customers. We will continue to offer multivendor services with a preference for our own and partner products and solutions.

In fiscal 2007/2008, we will be bringing together service and platform operations under the umbrella of a single legal entity in most countries. This will pave the way for much tighter levels of cooperation, harmonized service delivery and clearer delineation of responsibilities. As a result we will present a common face to our customers and bring them the benefits of true global joint account management. A standardized back-office infrastructure will facilitate a seamless flow of information and work sharing. Other key measures include a dedicated channel support organization and harmonized product development processes to help foster joint innovations. Through these measures, we expect to see the ongoing evolution of

closed-loop service offerings under our 'Design2Service' umbrella and a growing number of integrated offerings.

Spotlight on Managed Services

Positioned as a key strategic focus for us over the coming fiscal year, Managed Services are growing in popularity. This segment represents high customer value and is a powerful vehicle to improve customer intimacy and do more, higher-margin business with enterprise customers. This is the area where we see the greatest opportunities for cross and upselling. The potential market for Managed Services across EMEA in 2005 was € 15.4 bn. This figure is expected to continue to increase at more than six percent per year over the next three years. We plan to grow significantly faster than the market.

This growth will be driven by dedicated services for the Dynamic Data Center and office/mobility environments. In addition, we will be expanding our portfolio as we move towards a richer systems management, security, storage and network offering. We will be targeting these services at new customers as well as at existing platform and service customers where we will be focusing on increasing share of wallet.

Window of opportunity through Integration Services

We plan to strengthen our integration expertise and simultaneously leverage these services to generate higher value among enterprise customers by driving our innovative platform solutions. By leveraging platform sales, we will create new service opportunities in this area, facilitated by the rising resonance among enterprise customers for a one-stop infrastructure offering. Here we also expect above-market growth rates.

Partner network for Maintenance and Support

In keeping with our value focus, we plan to rely even more on the broad range of skills embedded in our partner network, especially for volume sales and the maintenance and support business. Here, however, significant investments in our B2B capabilities will help to maximize channel potential by providing our sales partners with more effective support and dedicated offerings. An efficient service ecosystem will also create cost efficiencies through partner productivity gains. Our global delivery and

Above-market growth rates expected for Managed and Integration Services, stronger reliance on partner network for Maintenance and Support.

Kai Flore, *Chief Financial Officer*

Biggest success last year: Starting our evolution into a dedicated infrastructure provider

My motto: Embrace change – don't just go with the flow

My source of inspiration: My family



innovative fault prevention and auto-immune capabilities will increase the appeal of our products and infrastructure solutions through the channel. Customer contact (call management) will remain in house to maintain our knowledge management loop.

CLEAR FOCUS ON THE VALUE BUSINESS

A clear focus on the value business will further accelerate our transition to a pan-European provider of infrastructure products and solutions. Our new value sales organization will be concentrating on infrastructure solutions such as BladeFrame, FlexFrame and CentricStor, also enhancing the customer relationship through greater solutions competence. Ongoing skill development in this area will help our sales staff position our solutions successfully.

Our DDC offering will keep its sights on IT infrastructures that allow step-by-step consolidation and build the foundation for Service-Oriented Architectures (SOAs). Here we can expect to see our service offering grow in importance through its ability to generate value for our enterprise customers.

Thanks to our new service capabilities, we plan to differentiate our platform offering through leading-edge service quality and innovations such as our Auto Immune Systems (AIS) architecture solution and other value-generating operational services. We will also be sharing and developing value-adding skills and resources across organizational units and countries to enhance our delivery capabilities on a global scale.

We will maintain our focus on PRIMERGY as our flagship product line and foundation for our innovative solutions. Our dedicated sales program includes training courses, awareness campaigns, advertising and promotion measures, executive forums and partner events. We are also stepping up our investment in management software solutions leveraging the latest virtualization and automation technologies.

Over the coming fiscal year, we will continue to expand our 'frame' offering and strengthen our leadership by closing any remaining gaps. Concrete examples include BladeFrame versions for new customer segments. In spring 2007, we renewed and expanded our exclusive, strategic OEM arrangement to further integrate the Egenera BladeFrame solution into the PRIMERGY server product line.

Reaching out to our partners

Partnerships will remain a core element of our DDC strategy. We plan to expand the scope and reach of our alliances with strategic partners such as SAP, Oracle, EMC and Microsoft. During the year under review, our partnership with Microsoft spawned a new infrastructure solution, Dynamic IT for Microsoft. Marking the 10th anniversary of our partnership with EMC, we took our alliance to the next level by integrating EMC networked storage systems and software with the next generation of FlexFrame for SAP, delivering improved productivity, flexibility and total cost of ownership to SAP customers. Looking ahead, we will also be working more closely with system integrators and value-added resellers. We have created a portfolio of products and solutions for this segment, including BladeFrame,

A clear focus on the value business will further accelerate our transition to a cross-country infrastructure provider.

"THIS WAS NOT OUR BEST YEAR EVER. LET'S FACE IT, INTEGRATING TWO COMPANIES IS NOT SOMETHING THAT CAN BE DONE OVERNIGHT. BUT I'M CONFIDENT THAT WE'RE ON THE RIGHT PATH. ONCE OUR PORTFOLIOS AND PROCESSES HAVE BEEN FULLY ALIGNED, WE WILL TAKE INTEGRATION TO THE NEXT LEVEL AND THIS WILL CREATE A WHOLE NEW PLAYING FIELD."

FlexFrame and x10sure, our high availability solution for SMEs, which is distributed solely via the channel. Comprehensive certification training courses are available for these solutions to enable our channel partners to offer dedicated services with second or third-level support from our product organization. We are already seeing the early fruits of our efforts in this area.

Our partnership with Fujitsu allows us to concentrate on scale-out industry-standard platforms, while giving our customers the full benefits of mature high-end scale-up infrastructures delivered by Fujitsu. Our new server line-up co-developed and co-manufactured with Fujitsu and mutual partner Sun Microsystems, for example, delivers mainframe-class reliability with open systems advantages. Based on the SPARC architecture and running the Solaris 10 operating system, the new servers are the fastest SPARC servers ever, and will be marketed by the companies and affiliates under the 'SPARC Enterprise Server' product brand.

PUSHING VOLUME AND CONSUMER SALES

In the desktop, notebook and handheld business, we are responding directly to the insights gained over the course of the last fiscal year and concentrating on winning market share. We continue to maintain mobile growth targets, strengthen our connectivity initiatives, enhance our design, increase operational efficiency and align our product portfolio.

Wider choice, new design

To drive professional mobile sales, we will be introducing a new attractive professional notebook range with a market-driven feature set. This new line rounds off our established LIFEBOOK family, enabling us to meet an even wider spectrum of customer demands.

As part of our drive to bring embedded connectivity as standard to mobile users, we are already in partnership with a record number of telco operators in EMEA. Over the coming fiscal year, we will be enhancing our embedded connectivity offering with new Intel platform technologies for turbo memories, webcams, a new high-bandwidth WLAN standard, instant charge functionality, allowing users to charge other devices directly from their notebooks, and TV tuners in our consumer notebooks. We expect to see a strong upturn in mobile revenue over the coming fiscal year as we leverage our mobility management services to drive product sales. Looking in the other direction, we expect our mobile platform customers to express growing interest in Managed Services such as lifecycle management.

Equally as important, however, is the growing user interest in design. It is increasingly emerging as a strong image builder and motivational factor among employees. Under the umbrella of our new design strategy, we have taken the first steps to become a 'must-have' IT brand. One aspect of this journey involves increasing awareness by creating lasting emotional connections between users and

"I SEE EXCITING NEW GROWTH OPPORTUNITIES ON THE HORIZON AS WE REVIEW AND REFINE THE SCOPE OF OUR CURRENT BUSINESS. OUR FUTURE PATH WILL TAKE US EVEN CLOSER TO OUR CUSTOMERS. MY GOAL IS TO FINE-TUNE OUR LISTENING AND LEARNING SKILLS. AND OUR BROADER PORTFOLIO MEANS WE ARE NOW IN A STRONGER POSITION THAN EVER TO UNDERSTAND OUR CUSTOMERS BETTER AND SERVE THEM BEST."

Satoru Hayashi, *Executive Chairman of the Board of Fujitsu Siemens Computers*

Strengths: Global orientation and cross-cultural communication

Weaknesses: German language

Motto: Today is the first day of the rest of your life



our products through a cross-platform, uniform design language. We are already testing new PC, notebook as well as server designs. The first products will be on view at the beginning of next year.

Streamlining operations

To combat dwindling prices, volatile demand and increased competition in the consumer business, we plan to significantly increase end-to-end supply chain efficiency over the coming fiscal year. The objective is to improve quality, shorten time-to-market, reduce complexity, increase service process efficiency and improve forecasting. For example, we will be offering more competitive price points through pre-configured consumer notebooks delivered directly from Asia.

At the same time, we will, however, continue to generate value for both our professional and private customers through customizing, local services and high environmental standards. Closer cooperation with the retail chains will increase our presence and profile, giving us a stronger base to push sales and position our digital home products, for example.

Over the coming fiscal years, we will continue to align our product portfolios as we focus more clearly on our core competencies. We decided, for example, no longer to focus on the aggressively competitive markets for plasma and LCD TVs and smart phones. And we are analyzing regional sales horizons with a view to better placing and focusing on the product mixes that are selling well on those markets rather than pushing the entire portfolio. These country mapping matrixes will allow our local sales forces to serve their customers better by focusing on their specific local interests and needs. As part of our product focus, we also clarified and accelerated our entire product introduction process last fiscal year. Looking forwards, this will create a faster, more strategic, coordinated approach that provides a better fit for target-group-specific needs.

By optimizing quality, increasing 'ease of use' and creating convincing design concepts, we will selectively round off our portfolio over the coming fiscal years with products and features that really help us differentiate ourselves. In

keeping with our simplicity theme, in future we will deliver our digital home portfolio with an integrated service portal that will combine partner entertainment offerings with our own content to improve service to our community.

FOCUS ON PROFITABLE GROWTH

In fiscal 2007/2008, we plan to increase market share and revenue in both the platform and service business. Overall, we are aiming for 10 percent growth, expecting to reach revenues of 7.7 billion euros as well as a profit before tax in the range of 100 million euros. Due to the longer sales cycles in the solution business, we expect to see our new sales strategy positively impact our business performance during the current fiscal year. With Germany already benefiting from our new dedicated acquisition organization during the year under review, other countries are set to follow suit in fiscal 2007/2008.

Growth hotspots for the coming fiscal years include our storage offering, industry-standard servers and mobile devices. Looking to the next fiscal year and beyond, ITPS is also set to make a substantial contribution to our mid-term objectives and bottom line with double-digit growth rates.

Our focus remains on profitable growth. In other words, we will continue to avoid loss-making deals – instead aggressively targeting higher-margin areas where we can reach new customers through fresh and attractive service/platform mixes. Innovative technologies and strategic alliances will support our profitability goals. We will also be looking at ways of increasing end-to-end efficiency in order to sustain our bottom line in the volume and consumer business. These will be flanked by ongoing cost-cutting measures.

Despite the difficult market conditions over the past fiscal year and the expenses involved in integration and restructuring, we are sticking to our medium-term revenue target of 10 billion euros – although we now expect to reach this milestone in fiscal 2009/2010.

We will continue to align our product portfolios as we focus more clearly on our core competencies.

finances

Report of the Board of Management

Revenue increased 4.6% to €6,952.0 million, profit before tax and restructuring up 12% to €150.2 million

General

The Board of Management presents its report and the audited financial statements for the year ended March 31, 2007, in the following.

PRINCIPAL ACTIVITIES AND STRATEGY

Fujitsu Siemens Computers (Holding) B.V. ('the Company') was established as a joint venture holding company by Fujitsu Limited and Siemens AG. Through its various operating companies (which together comprise 'the Group'), the Company develops, manufactures, distributes, markets, sells, leases and services infrastructure solutions across international markets in Europe, the Middle East and Africa (EMEA). Infrastructure solutions are taken to refer to PCs, notebooks, mainframes, server systems, storage products and related software and services.

The Company has sales and service subsidiaries worldwide, development resources concentrated mainly in Germany and the United States plus manufacturing facilities in Germany. It has approximately 10,700 employees worldwide. Building on its leading position in many markets across EMEA, the Company draws on the strengths, innovative power and reach of its parent companies Fujitsu Limited and Siemens AG to offer its customers a global service. Addressing the needs of large corporations, small and medium businesses and consumers, the Group offers one of the world's most extensive IT portfolios.

On April 1, 2006, the Company acquired Product Related Services (PRS), the service and maintenance business of Siemens Business Services (SBS), a subsidiary of Siemens AG. Renamed Fujitsu Siemens Computers IT Product Services (ITPS), the new service arm has strengthened and extended the Group's service portfolio. Generally operated as a series of separate subsidiaries under the umbrella of the Company, ITPS focuses on industry-leading infrastructure services and solutions for the international market. At March 31, 2007, the ITPS operates in more than 20 countries.

Integration of the service arm with the existing platform-centric business will be completed within the current fiscal year. Initial steps such as organizational alignment and implementation of a common financial IT and reporting framework have already been successfully completed. Work is also underway to align and integrate platform and service offerings as well as delivery functions. We succeeded in turning the service business around during the year under review.

Environmental protection remains a high priority on the Group's corporate responsibility agenda and it continues to exceed legal requirements across Europe. Since 2006, the Group is committed to the U.S. Environmental Protection Agency program 'Design for the Environment', which seeks to reduce the individual health risks and

environmental damage that can be caused by IT production. To meet international standards for corporate social responsibility, Fujitsu Siemens Computers is a member of the United Nations Global Compact.

FINANCIAL PERFORMANCE

The upturn in the IT product market experienced in fiscal 2005/2006 continued during the fiscal year under review – but growth predictions declined steadily and the market remained very competitive. Unit shipments decreased 0.2%. Despite the ongoing drop in prices, we managed to keep our business profitable. This performance confirms our decision to concentrate on profitable growth and high margins and to widen our service proposition through the acquisition of the new service arm.

In 2006 we faced extreme price pressures, especially in the consumer market segment due to overstocking and the need to sell out products which did not comply with RoHS (Restriction of Hazardous Substances) before July 1, 2006. The Group focused mainly on deals with higher profitability. Consolidated revenue reached nearly €7 billion (2006: €6,646.3 m), up €305.7 million on last year. This focus on profitable deals in the platform business and higher margins in the service business pushed our gross margin up to €964.8 million (2006: €835.5 m), which represents an increase to 13.9% (2006: 12.6%).

Given that we operate in highly competitive markets, it is essential that we constantly seek to streamline our processes and reduce costs. We continued to do so throughout the year under review. Despite integrating Fujitsu Siemens Computers IT Product Services with its approximately 4,000 employees, we managed to limit the increase in administrative expenses to €83.9 million (2006: €74.3 m). Research and development expenses before restructuring decreased slightly to €136.0 million (2006: €138.7 m).

The consolidated profit before tax and restructuring for the year was €150.2 million. Compared with the previous year (€134.2 m), this figure was up nearly 12%. Restructuring costs amounted to €59.1 million (2006: €13.5 m). Profit before tax and after restructuring totaled €91.1 million (2006: €120.7 m). This demonstrates that the Group now has the financial strength to purchase a business and cover the restructuring costs involved.

Throughout the year, net cash (defined as cash less total borrowings due in less than one year) for the Group was positive and increased significantly, totaling €993.1 million (2006: €539.3 m) at year-end. External loans raised in prior years were fully repaid. External funding (€7.2 million) had to be raised due to foreign currency regulations which do not allow funding by the Group. We continue to have the financial support of our shareholders, who have committed to ensuring that the Group has adequate funding. The consolidated statement of cash flows is set out on page 67.

The consolidated profit and loss account of the Group for the year ended March 31, 2007, is set out on page 65 and the profit and loss account of the Company on page 86. A more detailed financial review is given on pages 59 to 62.

The Board would like to thank all our employees for the hard work, sacrifices and professionalism which have led to these encouraging results.

OUTLOOK FOR NEXT YEAR

The Group plans to increase revenue and strengthen profitability during the current fiscal year. We will grow the volume, value and service business by focusing on sustainable profitability. Our strategic direction on the platform side will remain focused on Mobility and the Dynamic Data Center (DDC). This will be enhanced by our integrated service offering to a comprehensive infrastructure business. Concentrating on the infrastructure business, we will utilize our unique customer intimacy in this area to differentiate ourselves from the competition.

We will continue to address rising demands for unlimited mobility with a state-of-the-art and highly diverse

portfolio. Our mobile devices are designed to the highest standards of quality and reliability. Drawing on our understanding of the extended mobile infrastructure, we will combine hardware with services to create solution bundles that span security, connectivity, manageability and lifecycle issues. Our Managed Services suite will give customers the chance to rely on our expertise across the extended solution lifecycle – from feasibility to user support and renewal.

Our DDC strategy will continue to help drive business-responsive IT. It bundles dynamic IT solutions, dynamic IT products and premium services across heterogeneous environments to ease and speed the transition towards adaptive IT infrastructures and Service-Oriented Architectures (SOAs).

Our Managed Services, Integration Services plus Maintenance and Support offering substantial value for our enterprise customers by helping them to run their businesses today and grow them into the future. ITPS adds further value by systematically developing and delivering its services in compliance with well-established management and process frameworks such as Information Technology Infrastructure Library (ITIL). At the same time, we help our customers to maximize the return on their IT investments. We will also continue to offer a comprehensive, innovative best-in-class industry-standard IT product portfolio supporting all three operating systems – Windows, Linux and Solaris.

We are committed to research and development activities in order to secure and advance our share of the markets in which we operate. Details on R&D expenditure are set out in note 5 to the accounts on page 75.

The Company has sufficient facilities in place to support higher production volumes and could also easily expand existing capacity. We will continue to serve the large enterprise customer segment together with our system integration partners and independent software vendors. We will also develop market share in the small and medium enterprise segment in co-operation with our channel partners. Strategic partnerships and technology alliances will remain firmly positioned at the heart of our growth strategy. During the year under review we formed

a strategic partnership with EMC, the world market leader for storage products and solutions. We will be expanding partnerships with market-leading software companies, hardware suppliers and sales partners during the coming fiscal years.

In outlining future developments, management is aware that the Group is exposed to certain risks. Along with many of our competitors, we have identified claims for infringement of patents or copyrights as an area of potential risk. Despite precautionary measures, we cannot exclude this eventuality. We see another area of risk in the dominance of our competitors and ongoing price erosion. In Germany, where we hold an outstanding market share, general economic developments could also have a direct impact on our growth prospects. To mitigate these factors, an adequate risk management system is in place.

PEOPLE AT FUJITSU SIEMENS COMPUTERS

We believe that our future success is dependent on our employees. We are determined to attract, retain and develop the most talented people and establish an employment environment in which these people are encouraged to realize their full potential.

We are therefore committed to equality in all aspects of employment opportunity and to providing the same opportunities to all employees irrespective of gender, race, creed or color. Equality of opportunity firmly extends to those who are or become disabled. We are committed to the health and safety of all our employees and strive to comply not only with the letter, but also the spirit, of policies and procedures.

Employees are encouraged to involve themselves and participate in the affairs of the Group and we strive to ensure that every employee has access to all the appropriate information through Group communication processes, which include electronic information, team briefings and Management Meetings.

Corporate culture and the Business Ethics and Conduct Policy are outlined in more detail in the section on Corporate Governance.

Financial review

RESULTS FOR THE YEAR

The Group reaches nearly €7 billion revenue. Profit before tax and restructuring rises nearly 12% to €150.2 million, reflecting the Group's focus on profitable deals. Restructuring costs of €59.1 million affected the bottom line.

Summary

Fiscal 2006/2007 was a milestone for the Group, bringing together our newly acquired service arm and our established platform business in a market characterized by high competitiveness and declining product prices. In general, the figures for fiscal 2006/2007 cannot be realistically compared with those of fiscal 2005/2006 due to the integration of Fujitsu Siemens Computers IT Product Services (ITPS). Close business ties already existed between Fujitsu Siemens Computers and the services business under the umbrella of Siemens Business Services. Revenue reported as external revenue by both parties before the integration had to be eliminated from the consolidated accounts after integration. This should be taken into consideration when comparing the balance sheet and consolidated profit and loss accounts with last year's figures.

The market impact of RoHS affected the Company during the year under review. All market players strived to sell their non-RoHS-compliant products by the end of June 2006. This prompted rapid price erosion and influenced revenue and gross margin in the hardware and software business (platform business). In addition, the acquisition of the service arm from Siemens Business Services meant we had to integrate and manage this new business. We nonetheless managed to improve our gross margin by €129.3 million to 13.9% of revenue (2006: 12.6% of revenue), mainly due to higher gross margins in the service business. At €91.1 million (2006: €120.7 m), profit before tax had decreased due to higher restructuring costs of €59.1 million (2006: €13.5 m). The Group's cash position rose from €678.5 million to €1.0 billion.

Group results mirror measures taken to lay the foundation for our future strategic direction.

Turnover

Group net turnover increased 4.6% to €6,952 million (2006: €6,646 m). The increase was fueled by the service business. On the platform side, we focused on profitable deals and lost

market shares. Within the first half of the year, platform revenue accounted for only 44% of total platform revenue.

Volume products

Overall sales of volume products decreased 12% to €3,903 million (2006: €4,435 m). Revenue in the second half-year was 37% higher than the first half-year. This upturn was not sufficient, however, to compensate for the revenue losses experienced in the first half of the year.

Sales of professional PC products fell nearly 9% over the entire year to €2,416 million (2006: €2,653 m). In the case of consumer products, revenue declined 17% to €1,487 million (2006: €1,782 m). This was attributable to weak sales during the first half-year as a result of stiff price competition caused by overstocking and product pushes for inventories that did not comply with RoHS.

Enterprise products

Similar to last year, sales of enterprise products (PRIMERGY servers, UNIX, BS2000 systems and storage systems) fell short of expectations with a total decline of 6% to €1,503 million (2006: €1,603 m). Only storage product sales realized slight growth, up 2% to €523 million (2006: €512 m).

Services

Services revenue was €1,202 million (2006: €311 m) based on the combined revenue of ITPS and our pre-existing service organization. Services now delivered by the Group are classified as Managed Services, Integration Services plus Maintenance and Support. Our service strengths are based on strong people skills, world-class service capabilities and competitive maintenance processes within the acquired business.

Profitability

Profit before tax of €91.1 million (2006: €120.7 m) was charged with restructuring costs of €59.1 million (2006: €13.5 m). Earnings before restructuring expenses increased by nearly 12% to €150.2 million (2006: €134.2 m). The restructuring expenses were mainly fueled by measures to realign our business in order to lay the foundation for sustainable profitability.

Gross operating result

We increased our gross operating result before restructur-

ing by €144.1 million to €981.0 million (2006: €836.9 m) due to higher margins on the service side.

Operating expenditure and restructuring

We continued our policy of ongoing process improvements combined with tight control over costs throughout the year. For German operations, management and unions concluded a cost-saving agreement. At €59.1 million (2006: €13.5 m), restructuring costs were higher than in previous years, however these measures will create synergy effects in future. Despite the higher costs, we continued to invest in customer-facing skills and resources and in streamlining our systems and processes. Total operating expenses, which include restructuring, were €892.9 million (2006: €723.2 m). The general and administrative expenses plus R&D expenditure were kept at the previous year's level. The increase in operating expenses is mainly due to higher selling expenses resulting from the integration of ITPS in the reported figures.

The restructuring costs amounting to €59.1 million (2006: €13.5 m) are broken down between cost of sales and the different categories of operating expenses in note 4 to the accounts.

Financing income

Net interest for the year was a receivable of €21.4 million (2006: net receivable €10.4 m). Net financing income after charging other financing costs was €19.2 million (2006: €8.4 m). The rise in net financing income results mainly from the increased average liquidity of the Group throughout the year, which we managed to achieve despite redeeming all remaining loans. We continued to maintain tight control over working capital.

Taxation

The tax charge for the year was €29.5 million (2006: €35.5 m), comprising a deferred tax charge of €7.0 million (2006: a benefit of €13.4 m) and a cash tax charge of €22.5 million (2006: €48.9 m). The Group's effective tax rate for the year was 32% (2006: 29%) and the applicable tax rate was 35% (2006: 35%). The effective tax rate is lower than the applicable statutory rate, as timing differences were utilized for which no deferred tax asset was capitalized in the past due to profit cover restrictions.

BALANCE SHEET

Fixed assets

Fixed assets increased by €236.1 million to €419.4 million (2006: €183.3 m). This mainly comprises the effects of the acquisition of the service business resulting in goodwill of €202.4 million at year-end.

Working capital

Working capital, comprising stocks, debtors and current liabilities (excluding overdrafts and loans) decreased by €170.3 million to €205.1 million (2006: €375.4 m).

Total stock increased by €75.1 million to €555.0 million (2006: €479.9 m). Of that amount, spares stock rose by €55.4 million to €113.3 million (2006: €57.9 m).

Debtors increased by €213.1 million to €1,499.2 million (2006: €1,286.1 m). Debtor days based on total trade receivables, including trade receivables from our shareholders and their subsidiaries and associates, have increased to 67 days (2006: 64 days).

The increase in other current liabilities of €458.5 million to €1,849.1 million (2006: €1,390.6 m) is mainly due to the changes which accompanied the newly acquired service business. Because of the additional business and prepaid service contracts, trade creditors increased by €167.7 million and prepayments by customers including services invoiced in advance by €109.4 million. Accruals for goods received not yet invoiced (+ €73.9 million) and other accruals (+ €84.2 million) increased as well. This overall increase in liabilities results primarily from the growth of the business. Creditor days have increased from 44 days last year to 49 days.

Deferred taxation

The Group has recognized a deferred tax asset of €82.1 million (2006: €76.6 m), the majority of which arises from temporary timing differences and future tax deductions for goodwill within Group subsidiaries. The asset is €5.5 million higher than the previous year. The development of the deferred tax asset includes an amount of €11.6 million added in the course of the consolidation of the acquired new service arm as of April 1, 2006. This addition did not affect the Group tax charge.

Provisions

Provisions increased by €459.2 million to €1,295.2 million (2006: €836.0 m). Other provisions, which cover a variety of risks, rose by €215.2 million, warranty provisions were up by €6.6 million and pension provisions grew by €117.6 million. Restructuring provisions increased by €119.8 million.

Group equity

Total Group equity increased by €61.2 million to €385.0 million (2006: €323.8 m) resulting from the net profit for the year of €61.6 million and exchange movements of €0.4 million. A portion of €0.7 million of the Group equity is attributable to shareholders with minority interests.

CASH FLOW AND TREASURY OPERATIONS

Operating cash flow

Net cash and cash equivalents increased during the year by €409.9 million to €993.1 million (2006: €583.2 m). The main reasons for the increase in cash were the decrease in working capital and the acquisition of cash in connection with the acquisition of the service business. More details on the changes in working capital are given on page 60.

Finance and liquidity

At March 31, 2006, the long-term loan from one of the shareholders was €43.9 million, which was duly repaid in full in September 2006.

Cash increased by €321.8 million to €1,000.3 million (2006: €678.5 m). The Company continues its policy of tight treasury control, with daily clearing of local bank account balances into centrally controlled bank accounts. The increase is primarily attributable to advance payments from our service customers.

The Receivables Purchase agreement entered into by the Company's German subsidiary in a previous year was terminated, and the amount of funding under this agreement was also repaid (2006: €90.0 m). Because this Receivable Purchase agreement did not meet the Dutch GAAP rules for derecognition of receivables, the repayment did not effect the recorded trade receivables. Our policy is to finance operating subsidiaries through a mix of equity, retained earnings, third-party borrowings and loans from the Company.

Hedging policies

Corporate Treasury operates as a cost center and is governed by policies and plans agreed by the directors. In addition to policies, guidelines and exposure limits, main areas of activity include a system of authority levels and reporting.

Under our foreign exchange policy, trading and financial transaction exposures are generally hedged, mainly through the use of forward exchange contracts and currency options (see note 22 to the accounts for more details).

Managing treasury exposures

The Group is exposed to a variety of market risks, including the effects of changes in foreign currency exchange rates, interest rates and credit spreads. In the normal course of business, we also face risks that are either non-financial or non-quantifiable, for example country and counter-party risks.

Counter-party exposures are minimized by restricting dealings to a limited number of financial institutions that have sound credit ratings. The credit ratings of counter-parties are closely monitored and we have established a maximum exposure level with each institution.

We manage the market risks associated with the underlying assets, liabilities and anticipated transactions through the use of straightforward financial instruments, for example forward foreign exchange contracts, currency option contracts and interest rate swaps. The use of leveraged instruments is not permitted.

RISK

Risk factors

The term 'risk' summarizes all those influences, factors and developments that could potentially prevent the Company from reaching its defined goals or implementing its business strategy.

In addition to the treasury exposures identified above, we are subject to a wide variety of risks in each of our areas of activity, including development, production and sales of IT hardware, software, solutions and services.

Risks are an integral part of our business, which is characterized by intensive competition, high cost pressure and

extremely short product and innovation lifecycles. The following examples outline typical risks:

- Market weakness in IT sector
- Customer credit risks arising from an economic downturn
- Aggressive pricing and terms and conditions by competitors
- Component shortages

The above list is not exhaustive (for example the Group also has to deal with levy claims asserted by copyright-collecting agencies against PC manufacturers) but it gives a general idea of the types of risks we face. Any of the above risks could affect the business in material terms, leading to deterioration of our financial position. Other risks that have not been identified or that are now considered immaterial could also impair our business. To minimize risks, a Risk Management system is in operation.

Risk Management

The major objectives of Risk Management are to protect the existence of the Company, to support its sustained success and to minimize risk costs arising primarily from risk occurrence, costs for insurance premiums, loss prevention and damage settlements.

We have implemented a Group-wide Risk Management system that takes an integrated approach to improve effectiveness and efficiency. This consists of, but is not limited to, identifying, assessing and reporting risks and opportunities on a timely basis. This system focuses in particular on the implementation of appropriate actions to minimize the impact of identified risks and the exploitation of opportunities as a formal part of the business planning, reporting, forecasting and review processes.

Our policy is to take advantage of opportunities whilst making a balanced judgment on accepting only those risks that are necessarily associated with creating economic value for the Company and its shareholders. Material risks are reported to the Board of Management as soon as they are identified. Necessary decisions are made in accordance with the Risk Management policy approved by the Board of Management and consistently executed by the Company's subsidiaries in line with our organizational structure and delegated levels of authority.

Corporate governance

Good corporate governance is essential to maintain the trust of customers, partners, suppliers, shareholders, employees and the public and ensure the long-term profitability of our business.

The Committee on Corporate Governance in the Netherlands issued its report 'Recommendations on Corporate Governance in the Netherlands' in 1997, which applies to listed companies and has been updated by the Tabaksblat Committee Report in 2003. Whilst Fujitsu Siemens Computers is not obliged to comply, we have chosen to adopt the spirit of the recommendations. This decision has been taken in the strong belief that good corporate governance is essential for maintaining trust and growing a successful and profitable business. The shareholder meeting has approved the use of English for the annual report and accounts.

HISTORY AND ORGANIZATIONAL STRUCTURE

On October 1, 1999, Fujitsu Limited and Siemens AG established Fujitsu Siemens Computers (Holding) B.V. ('the Company'), a company registered in the Netherlands, as a joint venture holding company owning various operating companies, which together comprise 'the Group'. The joint venture was initially formed by the merger of the business of Fujitsu Computers (Europe) Limited (the European computer business of Fujitsu Limited) and the Computer Systems business in Europe, the Middle East and Africa of Siemens AG. Effective April 1, 2006, the service and maintenance business (Product Related Services or PRS) of Siemens Business Services (SBS), a subsidiary of Siemens AG, was acquired by the Company and thus became part of the Group.

The purpose of the joint venture is to serve the needs of large corporations, small and medium businesses and consumers in all key markets across Europe, the Middle East and Africa by offering one of the world's most complete product and solution portfolios of world-class computer technology and innovative IT infrastructure solutions. The Group's development activities are carried out in Germany and the USA whilst manufacturing is based in Germany. Embedded in a global co-operation, Fujitsu Siemens Computers takes advantage of the strengths and the innovative power of its parent companies Fujitsu Limited and Siemens AG and serves global customer accounts.

Fujitsu Limited, which was established in 1935 and has its headquarters in Tokyo (Japan), is a leading provider of customer-focused IT and communications solutions for the global marketplace. Pace-setting device technologies, highly reliable computing and communications platforms, and a worldwide corps of system and service experts uniquely position Fujitsu to deliver comprehensive solutions that open up infinite possibilities for its customers' success. Fujitsu Limited is the world's third-largest IT service provider and Japan's market leader.

Siemens, headquartered in Berlin and Munich (Germany), is one of the world's largest electrical engineering and electronics companies. Siemens provides innovative technologies and comprehensive know-how to benefit customers in 190 countries. Founded 160 years ago, the company is active in the areas of Information and Communications, Automation and Control, Power, Transportation, Medical, and Lighting.

Fujitsu Limited and Siemens AG hold an equal number of ordinary shares in the Company and have equal voting rights and equal rights to participate in the distribution of profits. Each shareholder is also entitled to receive an equal number of ordinary shares on any subsequent new issue of shares.

A list of the Company's subsidiaries is given on pages 88 and 89.

CORPORATE CULTURE

Our culture is based on a strong belief in ethical behavior by management and other employees at all levels in the organization. We believe that every employee must be aware of and understand the importance of conducting business in a manner that is consistent with the highest ethical standards and compliant with all applicable laws and must also be fully committed to adhering to those standards and laws.

The Business Ethics and Conduct Policy sets out the standards of behavior which are expected at all times even though adhering to the policy may result in a competitive disadvantage. The purpose of the policy is to foster a working environment where every employee conducts

daily business with honesty, integrity and a sense of responsibility, which is ultimately in the best interests of Fujitsu Siemens Computers.

All employees are encouraged to report known or suspected ethics violations. Under no circumstances will there be retaliation against any employee for reporting, in good faith, a suspected violation. Indeed it is a major violation of the policy to conceal or cover up an ethics violation.

Our ethics policy is a manifestation of our overriding corporate value – our commitment to a special sense of responsibility. All employees are expected to make a personal commitment to deliver on our 'we make sure' promise. This means throughout the organization everyone is expected to deliver what he or she promises to customers, partners and colleagues alike. It means taking a responsible attitude towards legal, social and environmental issues and treating others with dignity and respect.

CORPORATE MANAGEMENT AND REPORTING STRUCTURE

The Board of Management

The Board of Management ('the Board') is responsible for the effective conduct of the business as a whole. It exercises this responsibility by setting the overall strategic direction of the Group, ensuring appropriate finance is available, agreeing budgets and monitoring and controlling the performance of the Group's executive management. The Board, which meets quarterly, currently comprises two executive directors and nine non-executive directors. Fujitsu Limited and Siemens AG each appoint an equal number of directors. The shareholders have agreed to rotate every two years the holders of the offices of Chairman and Vice-Chairman, one of whom is appointed by Fujitsu Limited and the other by Siemens AG.

On April 1, 2006, Satoru Hayashi took over as Chairman from Rudi Lamprecht and Rudi Lamprecht became Vice-Chairman. At present the executive members of the Board are the Chairman Satoru Hayashi and the President and CEO Bernd Bischoff.

Certain matters are delegated to Board sub-committees which report their actions and recommendations to the Board.

Board Committees

Audit Committee – The Board has established an Audit Committee which comprises a majority of non-executive directors and includes the Chairman. Its meetings are normally attended by the external auditors and the CFO, together with the Head of Internal Audit. It meets at least once a year and it is authorized by the Board to consider any activity within its terms of reference as it sees fit. Primarily the Audit Committee concerns itself with reviewing the overall management and control environment, financial reporting and standards of business conduct.

Remuneration Committee – The Board has established a Remuneration Committee comprising directors nominated by Fujitsu Limited and Siemens AG, with the Chairman of the Board being one of them. The Committee meets as required to consider and recommend to the Board the creation of, and major changes to, policies and their implementation relating to the terms and conditions of employment and remuneration, including performance incentives and pensions for executive directors, other senior management and, where appropriate, other grades of employees. The Chief Personnel Officer of the Group normally attends the meetings.

Executive Council

The Executive Council ('the EC') is the highest operational executive decision-making body in the Group. It comprises the executive Board directors, the President and Chief Executive Officer, the Executive Chairman of the Board of Fujitsu Siemens, the Chief Financial Officer (who is also the Chief Information Officer and Chief Strategy Officer), the Chief Marketing Officer, the Chief Personnel Officer, the Chief Technology Officer the Executive Vice-President Consumer & Devices, Supply Operations, the Executive Vice-President Infrastructure Products, the Executive Vice-President Sales, the Senior Vice-President Sales Germany and Managing Director Germany and the Executive Vice-President IT Product Services.

The EC meets every month to agree priorities and allocate resources in order to implement Group strategy. It sets overall corporate targets, agrees and monitors the strategies, plans and performance of the different businesses, identifying and exploiting new opportunities as these arise.

Internal Audit

Internal control and risk management are the responsibilities of operational management. Internal Audit has a Group-wide responsibility to assist management in discharging these responsibilities, to monitor their performance and make recommendations for improvement. In particular the objectives of Internal Audit are to:

- assist management to improve processes effectiveness and operational efficiency by spreading best practice;
- develop and use a risk-based approach to promoting corporate governance best practice;
- develop and maintain Group-wide risk management processes;
- assess compliance with Group policies and procedures as well as legal and fiscal regulations;
- assure the security of the Group's assets and its resilience against fraud;
- ensure management commitment to a strong internal control environment.

The Head of Internal Audit reports to the CEO.

MEMBERSHIP OF THE BOARD OF MANAGEMENT

The members of the Board of Management from April 1, 2006, to the date of this report were:

Satoru Hayashi	Executive Chairman from April 1, 2006 Vice-Chairman for preceding period
Rudi Lamprecht	Vice-Chairman from April 1, 2006 Chairman for preceding period
Bernd Bischoff	President and CEO
Toshio Adachi	
Dominik Asam	
Richard Christou	(appointed April 5, 2007)
Kai Flore	(appointed November 23, 2006)
Dr. Adrian von Hammerstein	(resigned November 23, 2006)
Kazuhiro Igarashi	(appointed June 25, 2007)
Chiaki Ito	(resigned June 24, 2007)
Takanori Katayama	
Toshihiko Ono	(appointed June 25, 2007)
Karl-Heinz Seibert	
Tetsuo Urano	(resigned April 4, 2007)

Maarsse, June 28, 2007

The Board of Management

Financial statements

Consolidated profit and loss account for the year ended March 31, 2007

	Notes	March 31, 2007		March 31, 2006	
		€m	€m	€m	€m
Net turnover	3	6,952.0		6,646.3	
Cost of sales	4	(5,987.2)		(5,810.8)	
Gross operating result		964.8		835.5	
Selling expenses	4	(660.0)		(509.2)	
Net research and development expenses	4, 5	(149.0)		(139.7)	
General and administrative expenses	4	(83.9)		(74.3)	
Total operating expenses		(892.9)		(723.2)	
Operating result		71.9		112.3	
Net financing income	6	19.2		8.4	
Result before tax and minority interest		91.1		120.7	
Taxes	7	(29.5)		(35.5)	
Net profit for the year		61.6		85.2	
Net profit attributable to minorities (loss)	18	0.2		-	
Net profit attributable to Group shareholders		61.8		85.2	

Consolidated balance sheet at March 31, 2007

	Notes	March 31, 2007		March 31, 2006	
		€ m	€ m	€ m	€ m
Assets					
Fixed assets					
Intangible fixed assets	11	227.6		24.6	
Tangible fixed assets	12	157.2		137.6	
Financial fixed assets	13	34.6		21.1	
			419.4		183.3
Current assets					
Stocks	14	555.0		479.9	
Debtors	15	1,499.2		1,286.1	
Deferred tax	16	82.1		76.6	
Cash at banks and in hand	17	1,000.3		678.5	
			3,136.6		2,521.1
Total assets			3,556.0		2,704.4
Liabilities					
Group equity					
Subscribed capital	18	272.8		272.8	
Share premium		121.1		121.1	
Statutory reserve		15.7		19.5	
Other reserves		(86.9)		(174.8)	
Minority interests		0.7		-	
Result for the year		61.6		85.2	
			385.0		323.8
Provisions	19		1,295.2		836.0
Long-term debt	20		19.5		14.8
Current liabilities	21		1,856.3		1,529.8
Total liabilities			3,556.0		2,704.4

Statement of other comprehensive income for the year ended March 31, 2007

	March 31, 2007		March 31, 2006	
	€ m	€ m	€ m	€ m
Profit after tax	61.6		85.2	
Currency translation effects recognized directly in equity	(0.4)		(0.4)	
Comprehensive income	61.2		84.8	

Consolidated statement of cash flows

	Notes	March 31, 2007		March 31, 2006	
		€ m	€ m	€ m	€ m
Cash flow from operating activities					
Net profit before taxation			91.1		120.7
Adjustments for:					
Depreciation of tangible fixed assets			38.8		31.1
Amortization of intangible fixed assets			36.4		12.6
Loss on disposal of tangible and intangible fixed assets			0.1		-
Loss on disposal of investments			-		0.1
Net financing income			(19.2)		(8.4)
Operating result before working capital changes			147.2		156.1
(Increase) in debtors		(163.1)		(199.4)	
Decrease/(increase) in inventory		39.5		(143.7)	
Increase in payables		432.9		169.7	
Exchange adjustment in working capital		-		(0.3)	
Net (increase) /decrease in working capital			309.3		(173.7)
Cash (used for) /generated from operations			456.5		(17.6)
Interest and other financing charges paid			(6.5)		(6.6)
Income taxes paid			(33.7)		(21.1)
Net cash (used for) /generated from operating activities	17		416.3		(45.3)
Cash flow from investing activities					
Purchase of tangible and intangible fixed assets		(67.8)		(54.8)	
Purchase of financial fixed assets		(13.5)		(7.3)	
Proceeds from sale of tangible and intangible fixed assets		5.9		1.4	
Proceeds from sale of financial fixed assets		-		0.9	
Cash from acquisition of Group companies, including cash acquired		87.2		-	
Interest received		25.7		15.0	
Net cash used in investing activities			37.5		(44.8)
Cash flow from financing activities					
Repayment of current portion of long-term loan		(43.9)		(43.8)	
Net cash used in financing activities			(43.9)		(43.8)
Net (decrease)/increase in cash and cash equivalents			409.9		(133.9)
Cash and cash equivalents at the beginning of the year			583.2		717.1
Cash and cash equivalents at the end of the year					
Cash at banks and in hand			1,000.3		678.5
Bank loans and overdrafts			(7.2)		(95.3)
			993.1		583.2

Accounting policies

BASIS OF PREPARATION

Fujitsu Siemens Computers (Holding) B.V. is established in Amsterdam, the Netherlands, and is a joint venture between Fujitsu Limited, Japan and Siemens AG, Germany.

The measurement basis used in the consolidated financial statements and in those of the Company is historical cost, modified as explained in the accounting policies set out below.

The financial statements are prepared in accordance with accounting principles generally accepted in the Netherlands ('Dutch GAAP'). All the accounting policies remain the same as in the previous year. The figures for the previous year do not include the service business acquired effective April 1, 2006. The acquired business caused a significant increase in goodwill, trade debtors and receivables from shareholders. On the liability side, restructuring and pension provisions, trade creditors and accruals for goods received not yet invoiced, advanced invoicing and other accruals have significantly risen due to the service business acquired. The increase in turnover and cost of sales as well as selling expenses are also largely due to the acquired business.

BASIS OF CONSOLIDATION

The consolidated financial statements include the Company and subsidiaries in which the Group holds more than 50% of the voting rights. Also included are subsidiaries in which the Group holds voting rights and is able to govern the financial and operating policies.

Companies acquired during the year are consolidated from the date on which control over the net assets and operations of the acquiree is effectively transferred to the Group. Subsidiaries disposed of are consolidated up to the date of disposal.

The purchase method is used to account for the acquisition of subsidiaries by the Group. The cost is measured as the fair value of assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair

values at the acquisition date irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

All inter-company balances and transactions, including unrealized inter-company profits, are eliminated.

FOREIGN CURRENCIES

Given that the euro is the official currency in many European Union member states in which the Group operates, the Company and the Group consider that their functional currency is euros. Accordingly the financial statements are presented in euros.

FOREIGN CURRENCY TRANSACTIONS

In the individual Group companies, transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at the balance sheet date. Resulting exchange differences are recognized in the income statement for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate at the date of transaction.

CONSOLIDATION OF THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

The assets and liabilities of foreign operations, which are considered to be independent of the parent company, are translated into euros at the exchange rate at the balance sheet date, while items of income and expense are translated at rates corresponding to the exchange rate at the date of the transaction. Exchange differences resulting from the translation into euros of the financial statements of subsidiaries outside the Eurozone are recognized directly in equity.

DERIVATIVES AND HEDGING

The Group uses derivative financial instruments to manage its exposure to foreign exchange risks arising from operational and financing activities. In accordance with its treasury policy, the Group does not currently hold or issue derivatives for trading purposes.

Foreign exchange contracts to hedge recognized assets and liabilities are valued at spot rates, with the resulting exchange spot differences being recognized in the profit and loss account. Differences between the spot rate and forward rate at inception of the forward contracts are amortized through the profit and loss account over the life of the forward contract.

The Company uses bought currency call options as well as combinations of currency options in such a way that the option premiums on the combinations net to zero. These combinations consist of either

- a pair of currency options comprising a bought call option and a sold put option entered into on the same date, in the same currency, each for the same amount, maturing on the same date but at different rates; or,
- a triplet of currency options comprising one bought call option and two sold put options entered into on the same date, in the same currency, each for the same amount, maturing on the same date but at different rates.

Where there is a pair of currency options, the combination of the bought call option and the sold put option are designated as a hedge of the forward purchase in foreign currency.

Where there is a triplet of currency options, the bought call option and the sold put option with the rate closest to the call option are designated as a hedge of the forward purchase in foreign currency. The net option premium and any change in the fair value on the contracts designated as a hedge are deferred until the hedged transaction occurs. At that time the carrying amount of the transaction is adjusted.

Where there is a triplet of currency options, the second sold put option is not designated as a hedge. The premium income on this contract is the fair value of the option at inception. Any change in this fair value is recognized in the profit and loss account in the period in which the change occurs.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at purchase price or production cost less accumulated depreciation and impairment losses. Production cost for self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads. Borrowing costs directly attributable to the acquisition, construction or production of an asset are capitalized as part of the cost of the asset.

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The rates of depreciation used are based on the estimated useful lives.

The principal annual rates of depreciation are:

Freehold land	Nil
Freehold buildings	1.25–10%
Plant and machinery	10–36%
Fixtures, fittings and equipment	15–33%

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. Expenditure on repairs or maintenance of property, plant and equipment incurred to restore or maintain future economic benefits expected from the assets is recognized as an expense when incurred.

Leases of plant and equipment under which the Group assumes substantially all the risks and rewards incidental to ownership (finance leases) are recognized in the balance sheet by recording an asset and liability equal to the present value of the minimum lease payments at the inception of the lease. Capitalized lease assets are depreciated in accordance with the depreciation policy noted above. The depreciation period is the estimated useful life of the asset, or the lease term if shorter. Lease liabilities are reduced by repayments of principal, whilst the finance charge component of the lease payment is charged to income.

For operating leases, the lease payments are expensed on a straight-line basis over the lease term.

GOODWILL

Goodwill arising on the contributions by the joint venture partners on establishment of the joint venture has been calculated as the difference between the nominal value and share premium of the shares issued to the partners and the book value of the net assets contributed as carried by the shareholders adjusted to accounting policies applicable in the Netherlands. Goodwill arising prior to April 1, 2001, has been written off in the year of acquisition against Group equity.

In accordance with the change in accounting principles generally accepted in the Netherlands relating to intangibles, which became effective for the Group on April 1, 2001, goodwill arising on or after that date is capitalized and amortized on a straight-line basis over the best estimate of its useful life. The amortization is included within cost of sales.

Goodwill arising from the acquisition of the service and maintenance business from SBS as of April 1, 2006, is amortized over 10 years as this is the period over which the Group expects to benefit from the customer relationships and skills and experience of the workforce of the acquired business.

RESEARCH AND DEVELOPMENT

All research costs are charged as an expense in the income statement in the period in which they are incurred. Prior to April 1, 2001, all development costs were charged as an expense in the income statement in the period in which they were incurred.

From April 1, 2001, development expenditure is capitalized in accordance with the change in Dutch GAAP on accounting for intangibles, which became effective for the Group on that date. No development expenditure charged to the income statement in prior periods has been capitalized.

Development expenditure is capitalized when a working model has been established on projects where significant economic benefits are expected, with a reasonable degree of probability, to be obtained over future periods.

Capitalized development expenditure is carried at historical cost less any accumulated amortization and any accumulated impairment losses. The assets are amortized using the straight-line method of depreciation over their estimated useful lives, which is normally no more than three years.

The amount of development expenditure capitalized during the year is transferred to a non-distributable statutory reserve within Group equity. As this expenditure is amortized, an amount equal to the charge to the income statement in the period is transferred from the statutory reserve to the distributable profit and loss reserve.

OTHER INTANGIBLE ASSETS

Other intangible assets, including software and intellectual property rights, which are externally acquired, are capitalized if it is probable that future economic benefits will flow to the Company and the cost can be measured reliably.

They are carried at historical cost less any accumulated amortization and any accumulated impairment losses. The assets are amortized using the straight-line method of depreciation over their estimated useful lives, which is normally between three and five years. Amortization is charged to cost of sales or operating expenses as appropriate.

Costs associated with maintaining the Company's brand and any items similar in nature are expensed as incurred.

FINANCIAL FIXED ASSETS

Investments classified as non-current assets comprise participations in companies in which the Group holds less than 50% of the voting rights and does not control the financial and operating policies.

Where the Group holds, directly or indirectly, more than 20% of the voting power and/or exercises significant influence over the financial and operating policies, the investments are referred to as associated companies. Investments in associated companies are accounted for using the equity method determined on the basis of net asset value. The Group's share of the net assets is included in 'Investments in associates', using Group accounting policies where practicable, whilst its share of net profit is included in 'Income from associates'.

Other investments are classified into the following categories:

- trading investments (those which are bought and sold with the intention of making short-term profits);
- held-to-maturity investments (those with fixed or determinable payments and fixed maturity where the Group has the intention and ability to hold the investment to maturity);
- available for sale investments (those which do not fall into either of the above two categories).

Trading investments are stated at fair value. Any unrealized gain or loss is recognized in the income statement. Where a fair value cannot be measured reliably they are stated at cost.

Held-to-maturity investments, which have a fixed maturity date, are stated at amortized cost using the effective interest rate method. Other investments classified as held-to-maturity are stated at cost.

Investments that are classified as available for sale are stated at fair value. Any unrealized gain or loss is recognized directly in equity. When the investment is disposed of, the unrealized gain or loss previously recognized in equity is recognized in the income statement. Where a fair value cannot be measured reliably they are stated at cost.

STOCKS

Raw materials and purchased finished goods are valued at purchase cost. Work in progress and manufactured finished goods are valued at production cost including direct production costs (cost of materials and labor) and an appropriate proportion of production overheads including factory depreciation.

The cost of stocks is based on the weighted average principle. If the purchase or production cost is higher than the net realizable value, stocks are written down to net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

TRADE AND OTHER DEBTORS

Trade and other debtors are stated at nominal value, less write-downs for any amounts expected to be irrecoverable.

INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings are initially recorded at the net proceeds received. Any discount, premium or other difference between the net proceeds and the redemption value is amortized and included in finance costs over the term of the loan. Thereby, the total finance cost is charged to income at a constant rate of interest on the outstanding amount of the debt. If debt is repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognized immediately in the income statement.

GOVERNMENT GRANTS

Government grants are not recognized until there is reasonable assurance that the grants will be received and that the Group will comply with conditions applying to them. Grants are deducted in arriving at the carrying cost of the asset to which they relate.

CURRENT LIABILITIES

Current liabilities are measured with their repayment amount.

EMPLOYEE BENEFITS

The majority of the Group's employees are eligible for retirement benefits under defined contribution and defined benefit plans provided through separate funds, insurance plans or unfunded arrangements.

Contributions to defined contribution plans are charged to the income statement as incurred. For defined benefit plans the recognized amount in the balance sheet is determined as the present value of the defined benefit obligation adjusted for the unrecognized actuarial gains or losses and less any past service costs not yet recognized and the fair value of any plan assets. Where this calculation results in a net surplus the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The recognition of actuarial gains and losses is determined separately for each defined benefit plan. To the extent that the net cumulative unrecognized actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that excess is recognized in income over the expected average remaining working lives of the employees participating in that plan.

Past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested following the introduction of, or changes to, a defined benefit plan, past service costs are recognized as an expense immediately.

The present value of the defined benefit obligations and the related service costs are calculated by a qualified actuary using the projected unit credit method. The rates used to discount defined benefit obligations and related service costs are determined by reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields at the balance sheet date on government bonds are used. The amount charged to the income statement consists of current service cost, interest cost, the expected return on any plan assets and actuarial

gains and losses. The Group's net obligation in respect of defined benefit pension plans primarily relates to the Fujitsu Siemens Computers German operation.

The Group also operates early retirement schemes. Provision is made for the estimated charges which will arise from these non-activity schemes for eligible employees.

PROVISIONS

Provisions are recognized, on an undiscounted basis, when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provision for warranties is calculated by applying expected future fault rates and costs to the installed base under warranty at the balance sheet date. Provision for restructuring, including rationalization, is made when a formal management decision has been taken, a detailed plan exists and a valid expectation has been raised in those affected either by commencement of the implementation of that plan or an announcement of the main features of the plan to those affected.

TAXATION

Tax on the profit or loss for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to goodwill not deductible for tax purposes. Furthermore, deferred tax liabilities associated with investments in subsidiaries are not recognized as the Group is able to control the timing of the reversal of the temporary differences and does not expect the temporary differences to reverse in the foreseeable future.

The tax value of losses expected to be available for utilization against future taxable income is set off against the deferred tax liability within the same legal tax unit and jurisdiction. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is calculated on the basis of undiscounted values using the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

NET TURNOVER

Net turnover is defined as the revenue from the sale and delivery of goods and services net of rebates, discounts and similar allowances and net of sales tax.

For the sale of goods, revenue is recognized on dispatch to the customer and when the significant risks and rewards of ownership have been transferred to the buyer.

Where a sale is made subject to a repurchase option exercisable by the customer at a guaranteed price such that substantially all the risks and rewards of ownership are not transferred, revenue is not recognized at the time of sale. The transaction is accounted for as an operating lease and revenue is taken on a systematic basis over the period to the date at which the option is exercisable.

Royalties and rentals are included in revenue and recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and can be measured reliably. The income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

COST OF SALES

Cost of sales comprises the manufacturing costs of the goods and services sold and delivered, and any stock write-downs to net realizable value.

NET FINANCING COSTS

Net financing costs include interest payable on borrowings as well as interest receivable on funds invested outside the Group. Interest is recognized as it accrues (taking into account the effective yield on the asset or loan).

Besides interest, net financing costs include the results of foreign exchange hedge operations and related exchange differences.

Notes to the consolidated financial statements

1. GENERAL

The Company was established in 1999 as a joint venture operation between Fujitsu Limited, Tokyo, Japan, and Siemens AG, Munich, Germany. The Company has its statutory seat in Maarssen, the Netherlands.

The accounts have been prepared on a going concern basis in accordance with accounting principles generally accepted in the Netherlands and in accordance with the financial reporting requirements included in Part 9, Book 2, of the Netherlands Civil Code.

Unless otherwise stated, all amounts are in millions of euros.

On April 1, 2006, we acquired the Product Related Services (PRS) business of Siemens Business Services, a subsidiary of Siemens AG, through the acquisition of the shares of the respective ITPS legal entities as shown in note E to the accounts of the Company.

PRS, renamed ITPS, provides product-related services for our customers. As its service offerings are fully integrated with the Group's service offerings, there are no separate revenues or net profit attributable to the acquired business.

The business combination was accounted for using purchase accounting. The purchase consideration was settled in cash and included the expenses paid to external advisors engaged in the legal and financial due diligence and in the determination of the fair value of the underlying assets and liabilities.

The sale and purchase agreement between the Company and the seller stipulates that the purchase consideration should be treated as confidential and should not be disclosed.

The assets and liabilities acquired have been fair valued, resulting in the identification of provisions for onerous contracts and restructuring. The resulting goodwill amounted to €224.9 million, largely attributable to the profitability of the acquired business and synergies expected to arise after acquisition. The goodwill will be

amortized over the economic life of the business acquired, estimated at 10 years, using the straight-line method.

Upon acquisition, we decided to immediately execute an integration and restructuring plan for the acquired business. The restructuring plan had already been formulated prior to the acquisition date. The estimated cost of the restructuring amounted to €90.0 million, which was recorded as a provision in the accounting for the business combination.

A list of subsidiary companies is given in note E on page 87.

2. SEGMENTAL ANALYSIS BY CLASS OF BUSINESS

The Group operates in only one class of business, that of providing server systems, mainframes, storage products, electronic home entertainment products, mobiles and personal computers plus related software and services.

3. NET TURNOVER BY GEOGRAPHICAL AREA

The analysis by geographical region of the Group's net revenue is set out below:

	2007	2006
	€ m	€ m
France	375.7	427.0
Germany	2,814.4	2,879.6
Italy	329.5	320.6
UK	697.6	543.4
Other EU	1,857.1	1,641.7
Rest of Europe	557.7	513.6
Rest of world	320.0	320.4
Net turnover	6,952.0	6,646.3

4. RESTRUCTURING COSTS

Restructuring costs are basically personnel-related costs such as redundancy payments

	Cost of sales	Selling expenses	Research & development expenses	General and administrative expenses	Total restructuring costs
	€ m	€ m	€ m	€ m	€ m
2006					
Before restructuring	5,809.4	499.7	138.7	72.7	-
Restructuring	1.4	9.5	1.0	1.6	13.5
Total	5,810.8	509.2	139.7	74.3	13.5
2007					
Before restructuring	5,971.0	635.3	136.0	78.7	-
Restructuring	16.2	24.7	13.0	5.2	59.1
Total	5,987.2	660.0	149.0	83.9	59.1

5. NET RESEARCH AND DEVELOPMENT EXPENSES

	2007		2006	
	€ m	€ m	€ m	€ m
Gross expenditure before restructuring		131.9		141.7
Software development capitalized at cost	(7.3)		(12.3)	
Amortization charge for the year	11.4		9.3	
Net software development capitalized		4.1		(3.0)
Net expenditure before restructuring		136.0		138.7
Restructuring		13.0		1.0
Net research and development expenses		149.0		139.7

6. NET FINANCING INCOME

	2007	2006
	€ m	€ m
Interest payable		
Bank loans and overdrafts	(3.6)	(2.7)
Other loans	(0.7)	(1.7)
	(4.3)	(4.4)
Interest receivable	25.7	14.8
Net interest income	21.4	10.4
Other financing costs	(2.2)	(2.0)
Net financing income	19.2	8.4

Interest payable on loans from shareholders was charged at normal commercial terms. Interest receivable consists of €23.2 million (2006: €13.8 m) from bank deposits.

7. TAXES ON OPERATING RESULTS

The effective tax rate is lower than the applicable statutory rate, as timing differences were utilized for which no deferred tax asset was capitalized in the past due to profit cover restrictions. The development of the deferred tax asset includes an amount of €11.6 million added in the course of consolidation of the acquired new service arm as of April 1, 2006. This addition did not affect the Group tax charge. Tax losses available for carry forward amounted to €50.5 million at March 31, 2007 (2006: €55.4 m). The estimated recoverable tax in respect of the tax losses has been capitalized as explained in note 16.

	2007	2006
	€ m	€ m
Tax charge		
Current tax charge	22.5	48.9
Deferred tax charge (prior year benefit)	7.0	(13.4)
Consolidated net tax charge for the year	29.5	35.5
Tax rate		
Effective tax rate	32 %	29 %
Applicable tax rate	35 %	35 %

8. SALARIES, WAGES AND SOCIAL CHARGES

	2007	2006
	€ m	€ m
Salaries and wages	754.1	486.7
Pension costs	67.9	41.3
Other social charges	120.8	78.2
Total salaries, wages and social charges	942.8	606.2

Pension costs recognize changes in the accounting principles in the Netherlands which became effective for the Group in the last fiscal year.

9. EMPLOYEES

	2007	2006
	number	number
Average number of employees		
Production	1,792	1,836
Research and development	1,408	1,388
Selling and distribution	7,190	3,360
General administration	367	233
Total average number of employees	10,757	6,817
Number of employees at March 31	10,693	6,805

The number of employees is determined on the basis of full-time equivalents.

10. REMUNERATION OF MEMBERS OF THE BOARD OF MANAGEMENT

In the year to March 31, 2007, remuneration, including pension expense, amounting to €1,522,000 (2006: €1,048,000) was charged to the Company and its subsidiaries for past and present members of the Board of Management.

11. INTANGIBLE FIXED ASSETS

	Capitalized software		Goodwill	Total
	Development expenditure	Externally acquired		
	€ m	€ m	€ m	€ m
Cost				
At April 1, 2006	31.8	17.9	-	49.7
Additions	7.5	7.0	224.9	239.4
Elimination of fully amortized costs	(10.4)	3.3	-	(7.1)
Disposals	-	-	-	-
At March 31, 2007	28.9	28.2	224.9	282.0
Accumulated amortization				
At April 1, 2006	(12.3)	(12.8)	-	(25.1)
Charge for the year	(11.3)	(2.6)	(22.5)	(36.4)
Elimination of fully amortized costs	10.4	(3.3)	-	7.1
Disposals	-	-	-	-
At March 31, 2007	(13.2)	(18.7)	(22.5)	(54.4)
Net book value				
At March 31, 2006	19.5	5.1	-	24.6
At March 31, 2007	15.7	9.5	202.4	227.6

Capitalized goodwill shown with €202.4 million results from the consolidation of the service business acquired effective April 1, 2006.

12. TANGIBLE FIXED ASSETS

	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Under construction	Total
	€ m		€ m	€ m	€ m
Cost					
At April 1, 2006	104.0	246.2	27.9	4.8	382.9
Exchange adjustments	-	(0.5)	(0.1)	-	(0.6)
Reclassifications	3.0	2.6	(0.9)	(4.7)	-
Additions	4.2	42.9	10.8	6.8	64.7
Disposals	-	(21.5)	(3.6)	-	(25.1)
At March 31, 2007	111.2	269.7	34.1	6.9	421.9
Accumulated depreciation					
At April 1, 2006	(35.3)	(193.1)	(16.9)	-	(245.3)
Exchange adjustments	-	0.3	-	-	0.3
Reclassifications	(0.3)	1.0	(0.7)	-	-
Disposals	-	15.6	3.5	-	19.1
Charge for the year	(2.7)	(30.6)	(5.5)	-	(38.8)
At March 31, 2007	(38.3)	(206.8)	(19.6)	-	(264.7)
Net book value					
At March 31, 2006	68.7	53.1	11.0	4.8	137.6
At March 31, 2007	72.9	62.9	14.5	6.9	157.2

The current value of property, plant and equipment is not considered to be materially different to the book value.

There are no costs of borrowing included in the cost of tangible fixed assets as no such costs were directly attributable to their acquisition.

13. FINANCIAL FIXED ASSETS

	€ m
At April 1, 2006	21.1
Additions	13.5
Disposals	-
At March 31, 2007	34.6

Financial fixed assets mainly relate to the deferred compensation model of the employees of Fujitsu Siemens Computers GmbH, Germany and Fujitsu Siemens Computers IT Product Services GmbH & Co. KG, Germany.

14. STOCKS

	2007	2006
	€ m	€ m
Components and raw materials	178.5	170.7
Work in progress	16.0	16.3
Finished goods	247.2	235.0
Spares	113.3	57.9
Total stocks	555.0	479.9

The replacement cost of stocks is not considered to be materially different from the balance sheet value.

15. DEBTORS

	2007	2006
	€ m	€ m
Trade debtors	1,090.8	1,018.8
Amounts due from shareholders and their subsidiaries and associates	285.3	182.6
Taxes recoverable	7.0	2.8
Other debtors	48.5	18.7
Prepayments and accrued income	67.6	63.2
Total debtors	1,499.2	1,286.1

Thereof amounts due in more than one year

	2007	2006
	€ m	€ m
Trade debtors	0.2	0.7
Taxes recoverable	1.9	-
Other debtors	2.1	0.2
Prepayments and accrued income	4.8	2.9
Total debtors due in more than 1 year	9.0	3.8

16. DEFERRED TAX ASSET

The deferred tax asset comprises amounts forecast to crystallize as follows:

	2007	2006
	€ m	€ m
Within one year	49.6	25.4
In more than one year	32.5	51.2
Total deferred tax asset	82.1	76.6

The majority of the asset arises from temporary timing differences and future tax deductions for goodwill subsisting in the various Group companies at March 31, 2007. Except for goodwill, the asset has been recognized on an undiscounted basis using the taxable profits forecast by

the Group to arise in the next three years. The asset for goodwill has been recognized to the extent that profits are expected to be made over the period during which the goodwill will be amortized. Tax losses and temporary timing differences are set out below.

The total of tax losses available for carry forward and other temporary timing differences for which no deferred tax asset or liability was recognized amount to € 128.2 million (2006: € 116.5 m).

	2007	2006
	€ m	€ m
Tax losses available for carry forward	50.5	55.4
Tax losses available for carry forward recognized in the deferred tax asset	24.3	38.8
of the recognized losses available for carry forward indefinitely	22.6	36.6
of which will expire in the years to 2012 (2005: to 2013)	1.7	2.2
Other temporary timing differences including goodwill	415.3	345.2
Thereof recognized in the deferred tax asset	313.3	245.3
Deferred tax asset related to goodwill	17.1	20.3

Expected period over which deferred tax assets will crystallize	2007	2006
	years	years
Average period total tax asset is expected to crystallize	3	4
Average crystallization period of tax assets related to goodwill	6	7

17. CASH AT BANKS AND IN HAND

Since the liquid funds are predominantly deposited with 21 days term, the maturity dates of all bank deposits are between April 2 and April 19, 2007. Bank current accounts deposits and cash in hand were all freely available (2006: restricted access to €0.3 million).

The main reason for the increase in cash generated from operations was the development of working capital.

	2007	2006
	€ m	€ m
Bank deposit accounts	870.0	587.8
Bank current accounts and cash in hand	130.3	90.7
Total cash at banks and in hand	1,000.3	678.5

18. GROUP EQUITY

	2007	2006
	€ m	€ m
Subscribed capital		
At beginning of year and at March 31	272.8	272.8
Share premium		
At beginning of year and at March 31	121.1	121.1
Reserves		
At beginning of year	(155.3)	(225.2)
Reclassification to minority interests	(0.9)	-
Exchange differences	(0.4)	(0.4)
Appropriation of result of last year	85.2	70.3
At March 31	(71.4)	(155.3)
Minority interests		
At beginning of year	0.9	-
Exchange differences	-	-
Result of the year	(0.2)	-
At March 31	0.7	-
Result for the year		
Unappropriated result of last year	85.2	70.3
Appropriation of result of last year	(85.2)	(70.3)
Result for the year	61.6	85.2
At March 31	61.6	85.2
Total Group equity	385.0	323.8

The authorized share capital of the Company of €272,752,000 is divided into 1,363,760 Class A ordinary shares of €100 each and 1,363,760 Class B ordinary shares of €100 each. The authorized share capital is fully issued and fully paid.

The Class A and Class B shares carry equal voting rights and equal rights to participate in the distribution of any profits. Fujitsu Limited owns 100% of the Class A shares and Siemens AG owns 100% of the Class B shares. Each shareholder is entitled to receive an equal amount of either Class A or Class B ordinary shares on any subsequent new issue of shares.

19. PROVISIONS

	Restructuring	Pensions	Warranty	Other	Total
	€ m	€ m	€ m	€ m	€ m
2006					
At April 1, 2005	48.3	260.6	272.0	148.0	728.9
Exchange adjustments	-	-	(0.1)	-	(0.1)
Additions	13.5	29.3	209.7	75.9	328.4
Utilized in year	(16.9)	(0.6)	(182.7)	(21.4)	(221.6)
Transfers and reallocations	0.1	0.2	0.1	-	0.4
At March 31, 2006	45.0	289.5	299.0	202.5	836.0
2007					
At April 1, 2006	45.0	289.5	299.0	202.5	836.0
Exchange adjustments	-	-	(0.1)	-	(0.1)
Additions	158.1	114.5	223.6	282.5	778.7
Utilized in year	(37.5)	(1.2)	(216.5)	(67.3)	(322.5)
Transfers and reallocations	(0.8)	4.3	(0.4)	-	3.1
At March 31, 2007	164.8	407.1	305.6	417.7	1,295.2

Current provisions due within one year amounted to €734.1 million (2006: €408.2 m).

Restructuring

Restructuring includes ongoing rationalization of the Group's structure and processes and an early retirement scheme which is calculated with an interest rate of 4.75% (2006: 5.5%). Additions of the year include €99.0 million restructuring liabilities recorded by consolidation of the ITPS entities acquired April 1, 2006.

Pensions

Most Group companies have established pension plans for their employees in accordance with local legal requirements and customs.

The pension plans established comprise defined benefit plans and defined contribution plans. The defined benefit plans are accounted for according to IAS 19 using the corridor method to recognize actuarial gains and losses.

Funded multi-employer plans in the UK were accounted for as defined contribution plans because sufficient information is not available to use defined benefit accounting.

Provisions in respect of defined benefit obligations have been determined on the basis of actuarial assumptions as follows:

	2007	2007
	Germany	Other countries
Discount rates	4.75%	2.95% – 11.0%
Expected rates of return on plan assets	-	3.4% – 4.5%
Expected rates of salary increases	3.0%	1.5% – 7.0%
Career development factor	1.25%	-

Of the total pension provision of €407.1 million (2006: €289.5 m), €377.5 million (2006: €263.6 m) relates to the defined benefit pension plans in Germany, which are accounted for in accordance with IAS 19. The remaining €29.6 million (2006: €25.9 m) relates to other employee benefit plans.

Details of the defined benefit pension plans are given below.

	Group	Germany	Other countries
	€ m	€ m	€ m
Development of defined benefit obligation (DBO)			
Opening balance at April 1, 2006	383.8	355.5	28.3
Acquired liabilities at April 1, 2006	93.0	53.7	39.3
Current service cost	31.3	26.7	4.6
Interest cost	19.5	17.3	2.2
Contributions by plan participants	1.1	-	1.1
Insurance premiums	(0.5)	-	(0.5)
Actuarial losses/(gains)	(8.3)	(2.0)	(6.3)
Currency translation changes on plans not measured in euros	(0.6)	-	(0.6)
Benefits paid	(9.7)	(6.8)	(2.9)
Curtailments and settlements	(1.3)	-	(1.3)
Closing balance at March 31, 2007	508.3	444.4	63.9

	Group	Germany	Other countries
	€ m	€ m	€ m
Development of fair value of plan assets			
Opening balance at April 1, 2006	16.3	-	16.3
Acquired assets at April 1, 2006	16.4	-	16.4
Expected return on plan assets	1.5	-	1.5
Actuarial gains/(losses)	(0.9)	-	(0.9)
Contributions by the employer	2.2	-	2.2
Contributions by plan participants	1.1	-	1.1
Insurance premiums	(0.5)	-	(0.5)
Currency translation changes on plans not measured in euros	(0.3)	-	(0.3)
Benefits paid	(1.3)	-	(1.3)
Curtailments and settlements	(1.0)	-	(1.0)
Closing balance at March 31, 2007	33.5	-	33.5

The funding status of the defined benefit pension obligations is as follows:

	Group	Germany	Other countries
	€ m	€ m	€ m
Reconciliation of net liability to pension provision shown on balance sheet			
DBO as at March 31, 2007	508.3	444.4	63.9
Fair value of plan assets as at March 31, 2007	(33.5)	-	(33.5)
Actuarial losses not recognized in the balance sheet	(65.6)	(66.9)	1.3
Transition obligation (deficit in funded plan in Netherlands)	(2.1)	-	(2.1)
Pension liability shown on balance sheet	407.1	377.5	29.6

Since the unrecognized actuarial losses exceed the 10% average remaining service lives of the employees participating in the plan starting in the year commencing April 1, 2007, the excess will be amortized over the estimated

The expense charged to the profit and loss account in the year arising from the pension plans comprises the following elements:

	Group	Germany	Other countries
	€ m	€ m	€ m
Components of pension expense			
Expenses for defined contribution plans	16.2	1.3	14.9
Expenses for defined benefit plans			
Current service cost	31.2	26.7	4.5
Interest cost	19.4	17.3	2.1
Expected return on plan assets	(1.5)	-	(1.5)
Amortization of actuarial losses	2.8	2.7	0.1
Settlement loss recognized	0.1	-	0.1
Settlement gain recognized	(0.3)	-	(0.3)
Pension expense total	67.9	48.0	19.9

The expenses have been charged to the appropriate cost category in the profit and loss account according to the functional area in which the relevant employees worked during the year. Therefore the expenses have been recognized as selling expenses, general administration expenses and research and development expenses.

Warranty

The Group maintains a warranty provision to cover the anticipated costs of providing certain warranties on products sold. This provision will be utilized in line with the warranty periods provided to customers, which normally range from one to five years.

Other provisions

Other provisions comprise provisions for a variety of other risks including those relating to customer and supplier contracts and commitments and includes € 1.9 million (2006: € 1.1 m) deferred tax liability.

20. LONG-TERM DEBT

	2007	2006
	€ m	€ m
Loans		
Loans from a shareholder	-	43.9
Less amount due within 1 year	-	(43.9)
Total long-term loans	-	-
Other liabilities	19.5	14.8
Total long-term debt	19.5	14.8

Total long-term debt is repayable in more than one year but less than five. The above loans bear interest at normal commercial rates. The average rate of interest during the year was 3.1% (2006: 2.4%).

21. CURRENT LIABILITIES

	2007	2006
	€ m	€ m
Loans and overdrafts		
Bank loans and overdrafts	7.2	95.3
Borrowings from shareholders and their subsidiaries	-	43.9
Total borrowings due in under 1 year	7.2	139.2
Other liabilities		
Trade creditors	699.3	531.6
Amounts payable to shareholders and their subsidiaries and associates	167.8	176.3
Prepayments by customers	11.4	10.4
Corporate taxes	54.6	64.2
Other taxes and social insurance charges	115.0	81.2
Other creditors	16.8	9.2
Advanced invoicing	121.2	12.8
Accruals for goods received not yet invoiced	306.2	232.3
Other accruals	356.8	272.6
Total other current liabilities	1,849.1	1,390.6
Total current liabilities	1,856.3	1,529.8

No assets have been pledged as security in respect of any of these liabilities (2006: €90.0 m).

22. CONTINGENT LIABILITIES AND COMMITMENTS

At March 31, 2007, Group companies had contingent liabilities in respect of guarantees issued to third parties in the ordinary course of business amounting to €59.0 million (2006: €52.5 m). No material losses are expected to be incurred from these guarantees. No assets have been pledged as security in respect of any of the contingent liabilities.

There are a number of litigation claims pending against Group companies. While the results of litigation cannot be predicted with certainty, management believes that, based on legal advice and information received, the final outcome of such litigation will not materially affect the consolidated financial position.

At March 31, 2007, the Group had annual commitments under non-cancelable operating leases in respect of leasehold premises and other rented assets amounting to €63.5 million (2006: €44.4 m). Payments due within the next year, relating to commitments that expire within one year, amounted to €20.8 million (2006: €17.2 m), relating to those that expire in years two to five were €31.6 million (2006: €14.5 m) and those relating to commitments expiring after more than five years were €11.1 million (2006: €12.7 m).

At March 31, 2007, the Group had purchase commitments relating to property, plant and equipment amounting to €3.8 million (2006: €4.6 m). Group companies have purchase commitments for raw materials and supplies in the ordinary course of business.

The Group has commitments in respect of forward exchange contracts entered into in the normal course of business. Details of these are given on page 85.

Financial instruments

Foreign exchange risk management

The Company routinely enters into forward exchange contracts to hedge transaction exposures. These principally arise with respect to assets and liabilities or forecast transactions related to sales and purchases, the majority of which are firm commitments. The purpose of foreign currency hedging activities is to protect the Company against the event of functional currency net cash flows resulting from trade transactions being adversely affected by changes in exchange rates.

The forecast transactions hedged relate to purchases of components and raw materials and to the sale of finished goods within the next three to five months.

At March 31, 2007, outstanding forward contracts to buy currencies totaled €450.3 million (2006: €521.7 m) while outstanding forward contracts to sell currencies totaled €220.5 million (2006: €284.6 m). These contracts mainly relate to US dollars, pounds sterling, Japanese yen, Swedish krona, Swiss francs and Norwegian krona.

The fair value of the forward contracts outstanding at March 31, 2007, was negative and amounted to €2.0 million (2006: €-1.3 m).

At March 31, 2007, no currency options were outstanding (2006: no currency options outstanding).

The Company does not use financial instruments to hedge the translation risk related to equity and earnings of foreign subsidiaries.

Credit risk

Under the agreements concluded for its financial instruments, the Company is exposed to credit loss in the event of non-performance by a counterparty to any one of these agreements. In the event of counterparty default, the resulting exposure would equal the difference between

- a) the prevailing market interest rates and exchange rates and
- b) the contracted interest and exchange rates.

The maximum credit risk as at balance sheet date arising from forward contracts amounts to €2.3 million (2006: €3.1 m), of which €1.3 million arises from the sale of pounds sterling (2006: €1.9 m from forward contracts to buy US dollars).

Company policy requires that all counterparties should have a minimum credit rating of A2.

The Company has no reason to expect non-performance by the counterparties to these agreements, given their high credit ratings.

23. RELATED PARTIES

During the year Group companies have had engaged in significant transactions with Fujitsu Limited and Siemens AG and their respective subsidiaries relating to the purchase and sale of goods and services. All these transactions were at arm's length on normal commercial terms.

Purchases of goods and services in the year totaled €365.3 million (2006: €385.6 m) from Fujitsu group companies and €273.0 million (2006: €410.5 m) from Siemens group companies. Sales in the year totaled €302.0 million (2006: €280.1 m) to Fujitsu group companies and €770.8 million (2006: €779.3 m) to Siemens group companies.

At March 31, 2007, trading receivables from Fujitsu group companies were €79.5 million (2006: €61.9 m) and from Siemens group companies were €205.8 million (2006: €120.7 m). Trade payables due to Fujitsu group companies at March 31, 2007, were €86.8 million (2006: €63.9 m) and to Siemens group companies were €83.7 million (2006: €112.4 m) at that date.

Siemens AG had provided a long-term loan to Fujitsu Siemens Computers (Holding) B.V. at commercial rates of interest. The loan is fully repaid.

Profit and loss account of the Company for the year ended March 31, 2007

	Notes	March 31, 2007	March 31, 2006
		€ m	€ m
Operating income	B	49.9	1.2
Operating result		49.9	1.2
Net financing income	C	4.0	0.5
Result before tax		53.9	1.7
Taxes	D	(0.6)	0.8
Net profit for the year	H	53.3	2.5

Balance sheet of the Company (before appropriation of results)

	Notes	March 31, 2007	March 31, 2006
		€ m	€ m
Assets			
Financial fixed assets	E	363.9	372.6
Current assets			
Debtors	F	88.8	87.6
Cash at bank and in hand	G	919.2	625.1
		1,008.0	712.7
Total assets		1,371.9	1,085.3
Liabilities			
Shareholders' equity			
Subscribed capital	H	272.8	272.8
Share premium		121.1	121.1
Other reserves		(6.0)	(8.5)
Result for the year		53.3	2.5
		441.2	387.9
Long-term liabilities	I	0.1	0.1
Current liabilities	J	930.6	697.3
Total liabilities		1,371.9	1,085.3

See notes on pages 87 to 91.

Notes to the Company financial statements

A. GENERAL

The accounting policies used for the preparation of the Company financial statements are the same as the Group accounting policies set out on pages 68 to 73 with the exception of valuation of investments. In view of the international ownership of the Company, shares in Group companies are stated at costs, less provision for impairment, in accordance with international accounting practice in the countries in which the shareholders are resident.

B. OPERATING INCOME/EXPENDITURE

Net operating income includes general administration expenses and the dividend payment from a subsidiary undertaking amounting to € 51,2 million.

C. NET FINANCING COSTS

	2007	2006
	€ m	€ m
Interest payable		
Bank loans and overdrafts	-	(0.9)
Loans from subsidiary undertakings	(27.2)	(13.9)
Loan from shareholder	(0.7)	(1.6)
	(27.9)	(16.4)
Interest receivable		
Bank deposits	23.4	13.3
Deposits with subsidiary undertakings	7.9	3.6
Other interest receivable from shareholder	0.6	-
	31.9	16.9
Net interest costs	4.0	0.5
Other financing costs	-	-
Net financing costs	4.0	0.5

D. TAXES

	2007	2006
	€ m	€ m
Current tax credit	(0.6)	0.8

With effect from April 1, 2000, the Company entered into a fiscal unity with Fujitsu Siemens Computers B.V. With effect from April 1, 2006, the Company also entered into a fiscal unity with Fujitsu Siemens Computers IT Product Services B.V. The taxable profit made in the year by Fujitsu Siemens Computers B.V. and Fujitsu Siemens Computers IT Product Services B.V. has been offset against taxable losses made by the Company, which is compensated by its subsidiaries. The Company is jointly liable for the tax obligations of its subsidiaries under the fiscal unity agreement. The current tax debit includes € 1.9 million for two foreign subsidiaries where the Company is liable to pay the arising income taxes to foreign tax authorities.

E. FINANCIAL FIXED ASSETS

	Gross	Provision	Net
	€ m	€ m	€ m
Shares in subsidiaries			
At April 1, 2006	373.1	(0.5)	372.6
Investments	40.8	-	40.8
Disposals	-	-	-
Other movements	(49.5)	-	(49.5)
At March 31, 2007	364.4	(0.5)	363.9

During the year, subsidiaries made capital repayments amounting to € 49.5 million (2006: € 1.3 m).

In the opinion of the directors, the value of the investment in subsidiary undertakings is not less than the value at which it is stated in the Company balance sheet.

These investments relate entirely to subsidiary undertakings listed as follows, which are all consolidated in the Group financial statements.

INTERESTS IN SUBSIDIARY UNDERTAKINGS

Name of subsidiary undertaking	Incorporated in city/province	country	Proportion of nominal value of issued shares			
			held by Group (%)		held by Company (%)	
			March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
Fujitsu Siemens Computers GmbH	Munich	Germany	100	100	100	100
Fujitsu Siemens Computers GesmbH	Vienna	Austria	100	100	100	100
Fujitsu Siemens Computers N.V.	Brussels	Belgium	100	100	100	100
Fujitsu Siemens Computers s.r.o.	Prague	Czech Republic	100	100	100	100
Fujitsu Siemens Computers A/S	Hellerup	Denmark	100	100	100	100
Fujitsu Siemens Computers OY	Espoo	Finland	100	100	100	100
Fujitsu Siemens Computers SAS	Roissy Charles de Gaulle Cedex	France	100	100	-	-
Fujitsu Siemens Computers AE	Amaroussion/Athens	Greece	100	100	100	100
Fujitsu Siemens Computers Kft	Budapest	Hungary	100	100	100	100
Fujitsu Siemens Computers SpA	Vimodrone/Milan	Italy	100	100	100	100
Fujitsu Siemens Computers SA	Casablanca	Morocco	100	100	100	100
Fujitsu Siemens Computers B.V.	Maarsssen	Netherlands	100	100	100	100
Fujitsu Siemens Computers AS	Oslo	Norway	100	100	100	100
Fujitsu Siemens Computers Spzoo	Warsaw	Poland	100	100	100	100
Fujitsu Siemens Computadores SA	Lisbon	Portugal	100	100	100	100
Fujitsu Siemens Computers (Proprietary) Ltd.	Erand Gardens/Midrand/ Johannesburg	South Africa	100	100	100	100
Fujitsu Siemens Computers S.L.	Madrid	Spain	100	100	100	100
Fujitsu Siemens Computers AB	Upplands Vasby	Sweden	100	100	100	100
Fujitsu Siemens Computers AG	Regensdorf	Switzerland	100	100	100	100
Fujitsu Siemens Computers SLS	Istanbul	Turkey	100	100	100	100
Fujitsu Siemens Computers Ltd.	Bracknell	United Kingdom	100	100	100	100
Fujitsu Siemens Computers Inc	Sunnyvale	USA	100	100	-	-
Fujitsu Siemens Computers FZ-LLC	Dubai Internet City	United Arab Emirates	100	100	100	100
Fujitsu Siemens Computers OOO	Moscow	Russia	100	100	100	100
Fujitsu Siemens Computers IT Product Services Beteiligungs-GmbH	Munich	Germany	100	-	100	-
Sinitec Vetriebgesellschaft mbH	Munich	Germany	100	-	100	-
Siemens Business Services Osteuropa GmbH	Dresden	Germany	100	-	100	-
Fujitsu Siemens Computers IT Product Services GmbH & Co. KG	Munich	Germany	100	-	100	-
Fujitsu Siemens Computers IT Product Services Verwaltungsgesellschaft mbH	Vienna	Austria	100	-	100	-
Fujitsu Siemens Computers IT Product Services GmbH & Co. OHG	Vienna	Austria	100	-	100	-
Fujitsu Siemens Computers IT Product Services N.V.	Brussels	Belgium	100	-	100	-

Name of subsidiary undertaking	Incorporated in city/province	country	Proportion of nominal value of issued shares			
			held by Group (%)	held by Company (%)	March 31, 2007	March 31, 2006
Fujitsu Siemens Computers IT Product Services s.r.o.	Prague	Czech Republic	100	-	100	-
Fujitsu Siemens Computers IT Product Services A/S	Taastrup	Denmark	100	-	100	-
Fujitsu Siemens Computers IT Product Services OY	Espoo	Finland	100	-	100	-
Fujitsu Siemens Computers IT Product Services Ltd.	Dublin	Ireland	100	-	100	-
Fujitsu Siemens Computers IT Product Services S.r.l.	Milan	Italy	100	-	100	-
Fujitsu Siemens Computers IT Product Services B.V.	's Gravenhage	Netherlands	100	-	100	-
Fujitsu Siemens Computers IT Product Services AS	Oslo	Norway	100	-	100	-
Fujitsu Siemens Computers IT Product Services S.A.	Carnaxide	Portugal	100	-	100	-
Fujitsu Siemens Computers IT Product Services Pte. Ltd.	Singapore	Singapore	100	-	100	-
Fujitsu Siemens Computers IT Product Services Espana, S.L.	Madrid	Spain	100	-	100	-
Ingenieria de Sistemas y Servicios S.A.	Madrid	Spain	51	-	51	-
Fujitsu Siemens Computers IT Product Services AB	Stockholm	Sweden	100	-	100	-
Fujitsu Siemens Computers IT Product Services AG c/o Siemens Schweiz AG	Zurich	Switzerland	100	-	100	-
Fujitsu Siemens Computers Bili Ĕim Teknolojileri Őrűn Hizmetleri Anonim - irketi	Istanbul	Turkey	100	-	100	-
Fujitsu Siemens Computers IT Product Services Ltd.	Bracknell	United Kingdom	100	-	100	-
Fujitsu Siemens Computers SARL	Tunis	Tunisia	100	-	100	-
Non-trading						
Fujitsu Siemens Computers Ltd.	Dublin	Ireland	100	100	100	100
Fujitsu Computers Ltd.	Bracknell	United Kingdom	100	100	-	-
Fujitsu Computers Ltd. Investment	Bracknell	United Kingdom	100	100	100	100

As of April 1, 2006, the Company has acquired Product Related Services (PRS), the service and maintenance business of Siemens Business Services (SBS), a subsidiary of Siemens AG. PRS was then renamed Fujitsu Siemens Computers IT Product Services. All of the above companies are incorporated in the country where the main place of

business is situated and are engaged in the design, manufacture or supply of server systems, mainframes, storage products, mobiles and personal computers and related system software and services to support them. All of the holdings are ordinary shares.

F. DEBTORS

	2007	2006
	€ m	€ m
Loans to subsidiary undertakings	81.4	57.5
Other amounts due from subsidiary undertakings	4.0	2.7
Other amounts due from shareholder	2.4	-
Other debtors	1.0	-
Prepayments and accrued income	-	27.4
Total debtors	88.8	87.6

G. CASH AT BANKS AND IN HAND

	2007	2006
	€ m	€ m
Bank deposit account	869.1	586.1
Bank current accounts	50.1	39.0
Cash at banks and in hand	919.2	625.1

All the bank deposits are 21-day deposits with maturity dates between April 3 and April 19, 2007. Bank current accounts were all freely available.

H. SHAREHOLDERS' EQUITY

	2007	2006
	€ m	€ m
Subscribed capital		
At beginning of year and at March 31	272.8	272.8
Share premium		
At beginning of year and at March 31	121.1	121.1
Other reserves		
At beginning of year	(8.5)	(7.9)
Appropriation of result of last year	2.5	(0.6)
At March 31	(6.0)	(8.5)
Result for the year		
Unappropriated result of last year	2.5	(0.6)
Appropriation of result of last year	(2.5)	0.6
Result for the year	53.3	2.5
At March 31	53.3	2.5
Total shareholders' equity	441.2	387.9

Shareholders' equity in the Company differs from that reported in note 18 to the Group accounts because the investment in subsidiaries is carried at cost less provisions by the Company (see note E).

I. LONG-TERM LIABILITIES

	2007	2006
	€ m	€ m
Unsecured loan from a shareholder	-	43.9
Less amount due within 1 year	-	(43.9)
Total long-term debt	-	-
Other liabilities		
Accruals	0.1	0.1
Total other long-term liabilities	0.1	0.1
Total long-term liabilities	0.1	0.1

Total long-term debt has been fully repaid (2006: within one year). The average rate of interest during the year was 3.1% (2006: 2.4%).

J. CURRENT LIABILITIES

	2007	2006
	€ m	€ m
Loans and overdrafts		
Bank loans and overdrafts	-	-
Loan from a shareholder	-	43.9
Loans from subsidiary undertakings	920.1	652.5
Total borrowings due in under 1 year	920.1	696.4
Other liabilities		
Accruals	10.5	0.9
Total other current liabilities	10.5	0.9
Total current liabilities	930.6	697.3

No assets have been pledged as security in respect of any of these liabilities.

K. CONTINGENT LIABILITIES

The Company has given guarantees to suppliers, customers and government agencies on behalf of a number of its subsidiaries. At March 31, 2007, these guarantees amounted to €37.4 million (2006: €121.4 m). The Company's policy on foreign exchange Risk Management and related exposures is given in note 22 to the consolidated financial statements on page 84. As stated in note D on page 87, the Company is jointly liable for the tax obligations of Fujitsu Siemens Computers B.V. under the fiscal unity agreement.

Maarsse, June 28, 2007

Satoru Hayashi

Bernd Bischoff

Dominik Asam

Kai Flore

Takanori Katayama

Karl-Heinz Seibert

Rudi Lamprecht

Toshio Adachi

Richard Christou

Kazuhiro Igarashi

Toshihiko Ono

Other information

Auditor's report

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Fujitsu Siemens Computers (Holding) B.V., Maarssen, the Netherlands, which comprise the consolidated and company balance sheet as at March 31, 2007, the consolidated and company profit and loss account for the year then ended and the notes as included on pages 65 up to and including page 91.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the report of the Board of Management, both 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 as-

essments, 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 Fujitsu Siemens Computers (Holding) B.V. as at March 31, 2007, and of its result for the year then ended in accordance 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 report of the board of management is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, June 28, 2007
KPMG Accountants N.V.

M.J. Steemers RA

Profit allocation and distributions in accordance with the Articles of Association

ARTICLE 21

1. Out of the profits as determined by the adopted profit and loss account included in the annual accounts the General Meeting of Shareholders shall, on a proposal of the Board of Management or otherwise, determine the amounts which shall be reserved by the Company.
2. The remainder shall be distributable profits, the appropriation of which shall be determined by the General Meeting of Shareholders.
3. The Company may only make distributions to its shareholders and to others entitled to receive part of its distributable profits, if and to the extent that the Company's shareholders' equity exceeds the aggregate of its paid up share capital (including calls made) and the amount of such reserves as it is required by statute or by these Articles of Association to maintain.
4. Insofar as the Company has a profit, and subject to the approval of the General Meeting of Shareholders, the Board of Management may decide to pay an interim dividend, provided always that paragraph 3 of this Article is complied with.
5. Dividends (including interim dividends for the purposes of this and the next paragraph) shall be made payable at the Company's offices from the date the dividend is declared, unless the resolution concerned shall provide for a different date or place.
6. Dividends, which have not been claimed within five years of becoming payable, shall be forfeited and shall accrue to the benefit of the Company.

PROPOSAL FOR ALLOCATION OF THE RESULT FOR THE YEAR

The Board of Management proposes that the result for the year to March 31, 2007, is allocated to other reserves.

Mobile products



1



2



3



4



5



6



7

1	AMILO consumer notebooks	Wide choice of notebooks for consumers
2	Pocket LOOX handhelds	Wide range of handhelds from navigators up to all-in-one-devices with e-mail-push
3	AMILO Pro professional notebooks	Business notebooks at attractive prices
4	STYLISTIC tablet PCs	Tablet PCs with electronic ink
5	LIFEBOOK professional notebooks	Broad selection of notebooks for professional users
6	LIFEBOOK convertible notebooks	Notebook and tablet PC in one
7	CELSIUS mobile workstations	Powerful mobile workstations

PCs, deskbound devices and displays



1



2



3



4



5



6

1	SCALEO consumer PCs	Extensive selection for the home extending from value-for-money PCs to all-in-one multimedia machines
2	FUTRO thin clients	Rich functionality for terminal-based environments
3	ESPRIMO professional PCs	Wide choice of global PCs for professionals
4	CELSIUS workstations	Extremely high processing speeds for professional users
5	SCALEOVIEW home displays	Wide range of consumer TFT displays up to 22 inches
6	SCENICVIEW professional displays	Broad selection of TFT displays for professionals

Entertainment devices



1



2



3

1	ACTIVY Media centers	The all-in-one home entertainment centers
2	ACTIVY Media players	Wireless multimedia network players
3	SCALEO EV	Entertainment PCs for your living room

Infrastructure products and solutions



Server platforms for the Dynamic Data Center

1	PRIMERGY	Range of industry-standard servers extending from economy models up to rack servers
2	PRIMERGY BladeFrame	Virtualized server pools for dynamic IT services
3	PRIMEquest	Mission-critical Intel-architecture servers for Windows and Linux
4	PRIMEPOWER and SPARC	UNIX-based servers ranging from stand-alone up to clustered solutions
5	BS2000/OSD mainframes	The world's most scalable mainframes
6	Storage solutions	From tape solutions to virtual tape appliances

Dynamic it Solutions

-	FlexFrame for SAP Business Suite	Adaptive computing solution for SAP
-	FlexFrame for Oracle	End-to-end infrastructure for Oracle grid computing
-	Dynamic IT for Microsoft	First highly dynamic virtualization solution for Microsoft-based environments
-	Dynamic IT for Tape	CentricStor, the virtual tape appliance
-	x10sure	Easy, high availability IT solutions for small to medium size enterprises

Services

Managed Services

- A suite of IT services to proactively manage and operate distributed and dynamic IT infrastructures, including systems management and monitoring
- Enables service level management and process automation specifically for the day-to-day management of data center, network and office environments
- Customer outtasks management, but maintains ownership and control

Integration Services

- IT technology and process consulting, configuration and integration of new hardware, infrastructure software, storage and networking building blocks in existing infrastructures

Maintenance and Support

- Maintenance covers preventive and repair services for hardware and software
 - Support services focus on rollout planning, project management, piloting, deployment and equipment testing
-

