Automation and Drives
Innovation, Growth, Profitability

Helmut Gierse, Group President

Capital Market Days
February 23-24, 2006
Safe harbor statement

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Siemens Automation and Control (A&C)

Automation and Drives (A&D)
- Products, systems and solutions for industries and infrastructure / construction
- 49%

Industrial Solutions and Services (I&S)
- Solutions focused on process industries and infrastructure
- 30%

Siemens Building Technologies (SBT)
- Building automation, fire safety and security for buildings and critical infrastructure
- 21%

Total A&C Sales FY2005: €21 billion

The Siemens Automation and Control Groups offer comprehensive solutions for production, infrastructure and building management.
A&D: Profitable growth

Sales growth by region (FY 2003 – FY 2005)

Europe: 13% (31%)
Americas: 12% (95%)
Asia/Pacific: 66% (95%)
Others: 19% (39%)

Values in ( ) on basis US$

A&D plans to continue its successful path
A&D offers the largest integrated product portfolio for automation

<table>
<thead>
<tr>
<th>Factory Automation #1</th>
<th>Process Automation #4</th>
<th>Electrical Installation for Buildings #2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market:</strong></td>
<td><strong>Market</strong>:</td>
<td><strong>Market:</strong></td>
</tr>
<tr>
<td>€38 billion</td>
<td>€36 billion</td>
<td>€21 billion</td>
</tr>
<tr>
<td>40%</td>
<td>38%</td>
<td>22%</td>
</tr>
</tbody>
</table>

- Automation systems
- Communication Networks
- Sensors
- Drive Systems
- Low-Voltage control and power supply
- Automation systems
- Communication Networks
- Sensors and Analytics
- Drive Systems
- Low-Voltage control and power supply
- Automation systems
- Communication Networks
- Sensors
- Drive Systems
- Low-Voltage control and power supply

Our products facilitate multiple controlled disciplines running on platforms

* Market position based on Automation Systems
A&D’s comprehensive portfolio

<table>
<thead>
<tr>
<th>Products</th>
<th>Systems</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLC</td>
<td>PLC-, CNC-, PCS-systems</td>
<td>Complete solutions for factory and process automation (e.g. automotive, chemicals, pharmaceuticals), electrical installation for buildings</td>
</tr>
<tr>
<td>Switchboards</td>
<td>Drive systems</td>
<td>Motion control solutions</td>
</tr>
<tr>
<td>Circuit protection</td>
<td>Bus technologies</td>
<td>etc.</td>
</tr>
<tr>
<td>Process instruments</td>
<td>Software systems</td>
<td>etc.</td>
</tr>
<tr>
<td>PC-based HMI</td>
<td>Placement systems</td>
<td>etc.</td>
</tr>
<tr>
<td>Motors, Gears, Couplings</td>
<td>MES products</td>
<td></td>
</tr>
<tr>
<td>MES products</td>
<td>etc.</td>
<td></td>
</tr>
</tbody>
</table>

**Units p.a.**

- Miniature Circuit-Breaker
- SIRIUS 3R
- SIMATIC S7
- LOGO
- SITRANS P
- MASTER-DRIVES
- SINUMERIK
- H-compact
- H-modular
- Ring Motor

**€ per Unit**

- > 500,000
- 50,000
- 5,000
- 500
- 100
- 10
- 1
- 1000
- 10000
- 100000
- 1000000
- 10000000
- 100000000
The global leader in Factory Automation (FA)

**Strategy**
- Strong #1 position
- Cost reduction, high efficient processes, use of platform concepts
- Expand sensor activities

**Business Drivers**
- Leader in innovation
- Large installed base in Europe
- Strong export of European OEM

**Market Development**

<table>
<thead>
<tr>
<th></th>
<th>Europe</th>
<th>Americas</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factory Automation</td>
<td>➡️</td>
<td>➡️</td>
<td>➡️</td>
</tr>
</tbody>
</table>

**Example: Printing Machine**

**Main Competitors**

- Rockwell Automation
- Schneider Electric
- ABB
- Mitsubishi Electric
- FANUC
Large steps in Process Automation (PA)

**Strategy**
- Continuous acquisition strategy
- Focus on DCS-projects in the chemical, pharmaceutical and food & beverage industries
- Gain market shares by controls and electromechanical automation products / systems

**Business Drivers**
- Strong business / capacity expansion in Asia
- Renovation projects (Americas, Europe)

**Example: Chemical Industry**

**Main Competitors**

<table>
<thead>
<tr>
<th>Market Development</th>
<th>Europe</th>
<th>Americas</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Automation</td>
<td>![Arrow to Europe]</td>
<td>![Arrow to Americas]</td>
<td>![Arrow to Asia]</td>
</tr>
</tbody>
</table>
Strong player in Electrical Installation for Buildings (EB)

Strategy
- Strong #2 position
- Use of technological synergies between residential and commercial buildings
- Exogenous growth (Asia, Europe)

Business Drivers
- Investment boom in USA and China
- Increasing importance of energy management systems due to rising energy costs
- Desire for more comfort ("smart home") and safety / security

Market Development

<table>
<thead>
<tr>
<th></th>
<th>Europe</th>
<th>Americas</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrical Installation for Buildings</td>
<td>🔶</td>
<td>🔶</td>
<td>🔶</td>
</tr>
</tbody>
</table>

Example: Commercial Construction

Main Competitors
- Schneider Electric
- legrand®
- ABB
- GEWIESE
- EATON
Close to the customer: We understand customer needs

- **Close to the customer:** We understand customer needs
- **Component level:**
  - A&D products and systems
- **Investment level (industry), e.g.:**
  - Automotive
  - Chem. & Pharma
  - Food & Beverage
- **Sales channels:**
  - End customer
  - System integrator
  - OEM
  - Panel builder
  - Electric wholesale
- **Component level:**
  - A&D products and systems
- **Push Strategy:**
  - Direct access to end customers
  - Market access from medium-sized companies up to global players
  - Diversified sector access
  - Use partners along the value chain
- **Pull Strategy:**
  - Direct access to end customers
  - Market access from medium-sized companies up to global players
  - Diversified sector access
  - Use partners along the value chain

A&D channel management leads to a widespread market penetration and to solid market transparency
End customer industries: focus and trends

Main Trends and Perspectives

- Hybrid automation: convergence of factory and process automation into one approach
- Growth in process automation
- Need for well-organized MES portfolio
- Safety as one of the top issues
- Flexibility via component-based automation
- RFID optimizes value chain
Understand customer needs
Automotive: Flexibility

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Action</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing variety of products and solutions</td>
<td>Flexibility in manufacturing plants</td>
<td>Integrated MES-Systems “Simatic IT”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1970</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sedan</td>
<td>Sports car</td>
</tr>
<tr>
<td>Sports car</td>
<td>Spider</td>
</tr>
<tr>
<td>Pick-Up</td>
<td>Cross-country</td>
</tr>
<tr>
<td>SUV</td>
<td>Van</td>
</tr>
<tr>
<td>Sedan</td>
<td>Sports car</td>
</tr>
<tr>
<td>Hybrid car</td>
<td>Electric vehicle</td>
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</table>

RFID for production, logistics and locating
# Understand customer needs

## Automotive: Safe Time and Money

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Action</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortened Product lifecycles</td>
<td>Speed up development and engineering</td>
<td>- Engineer and reuse standardized software modules for production processes&lt;br&gt;- Assure created data / modules to be automatically used in all other tools of the process chain</td>
</tr>
</tbody>
</table>

- **Simulation of processes**

- **Simulation of work procedures**

**Simulation – Test – Virtually improvement of product and production**
Understand customer needs
Food Processing: Traceability Compliance

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Action</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Guarantee full traceability compliance</td>
<td>Implement MES* to feed / store ERP* system with real time production data</td>
<td>▪ Standardized MES layer for all plants</td>
</tr>
<tr>
<td>▪ Optimize plant efficiency</td>
<td></td>
<td>▪ Full compliancy with traceability</td>
</tr>
</tbody>
</table>

* MES = Manufacturing Execution System; ERP = Enterprise Resource Planning
Understand customer needs
Gas Liquefaction: Shorten Process Time

**Challenge**
Reduce time to fuel Liquefied Natural Gas (LNG) tankships

**Action**
Speed up time to liquefy natural gas

**Solution**
- Worldwide first completely electrically driven gas liquefaction system
- Use of largest high speed synchronous motors ever built at Siemens (2x 65MW)
## Understand customer needs

### Drilling Rig: Enhance Operational Availability

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Action</th>
<th>Solution</th>
</tr>
</thead>
</table>
| Economic use of huge capital investment | Higher availability of the drilling rig | - Use motor and drives systems harmonized with other components (TIA)  
- Use energy saving motors |
Exogenous growth completes drives portfolio

Flender and Robicon are the perfect completion for the A&D drive systems strategy.
A&D will be a full-range supplier – unique selling proposition compared to competitors.
A&D: The Consistent Automation Solution

Threefold Consistency
- Data Management
- Engineering
- Communication

Threefold Customer Benefit
- Cost Reduction
- Time Advantage
- Efficiency Advantage

Automation and energy management in process / manufacturing industries, functional buildings, infrastructure
## Portfolio strengthened by acquisitions

<table>
<thead>
<tr>
<th>Year</th>
<th>Company (country)</th>
<th>Volume</th>
<th>Impact to Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Factory Automation</td>
<td>Process Automation</td>
</tr>
<tr>
<td>2006</td>
<td>Electrium (United Kingdom)</td>
<td>110</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>RVSI Acuity (USA)</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>Robicon (USA)</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>Flender (Germany)</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>Moeller Busbar (Germany)</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>Iriel (Brazil)</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>Danfoss Flow (Denmark)</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>Orsi (Italy)</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>Milltronics (Canada)</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>Axiva (Germany)</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>MCS Vickers (USA)</td>
<td>110</td>
<td></td>
</tr>
</tbody>
</table>

Values in € millions

... and 11 Joint Ventures in China
Continuous improvement in manufacturing performance

- Concentrate on lead facilities
- Install and coordinate three logistic hubs in the world regions America, Europe and Asia
- Selective extension of contributor factories for local markets
- Use Chinese factories to serve local and worldwide export markets

Relocate / Build up capacities in fast growing countries (e.g. China, India)
Relocate plant capacities from USA to Mexico
Use labor cost in Romania for assembly and in India or Hungary for software development

Personnel costs under control – about 1/3 of manufacturing workforce in low cost countries

Status: September 2005
A&D India - a story of success

Market Penetration

- 10 sales offices, 25 territory offices
- 232 dealers, 60 System Houses
- 2,500 employees

Business Drivers

- Doubled sales over the last two years
- Strong demand in automation products due to double digit growth in several industries (Automotive, Food & Beverage, Cement, Textiles)
- Boom in Real Estate

Main A&D Factories

- Kalwa: Motors (since 1964)
- Kalwa: Switchgear (since 1974)
- Nashik: Drives & Automation Systems (since 1987)
- Aurangabad: Switchgear (since 1991)
- Chennai: Gears for wind power (since 2004)

A&D is #1 in India – 12% market share – through broad product portfolio in a widespread market
A&D China confirms market leadership with aggressive sales growth (15-20% p.a.)

**Key Figures**
- 60 sales offices
- 11 Joint Ventures
- 9 Manufacturing sites
- 5 Engineering and development locations
- Approx. 4,200 employees

**Leadership Program**
- For highly motivated Chinese employees with management potential
- 77 Chinese managers in A&D leadership program
- Nearly half of the management positions filled with Chinese staff

44 offices in 2004 and 60 offices in 2005
Targets of A&D

A&D focuses on profitable growth

- Grow sales by 2x GDP: based on organic and exogenous activities
- Group profit margin: 11% - 13%
- Expand all businesses in #1 position
- Develop business units in #2 position to market leaders
- Focus on acquisitions in sensors, electrical installation for buildings and process automation
- Focus in regional expansion: China, Russia, India
## Glossary

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>A&amp;C</td>
<td>Automation and Control</td>
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<tr>
<td>A&amp;D</td>
<td>Automation and Drives</td>
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<tr>
<td>CNC</td>
<td>Computerized Numerical Control</td>
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<tr>
<td>DCS</td>
<td>Distributed Control System</td>
</tr>
<tr>
<td>EB</td>
<td>Electrical Installation for Buildings</td>
</tr>
<tr>
<td>ERP</td>
<td>Enterprise Resource Planning</td>
</tr>
<tr>
<td>FA</td>
<td>Factory Automation</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>HMI</td>
<td>Human Machine Interface</td>
</tr>
<tr>
<td>I&amp;S</td>
<td>Industrial Solutions and Services</td>
</tr>
<tr>
<td>LNG</td>
<td>Liquefied Natural Gas</td>
</tr>
<tr>
<td>MES</td>
<td>Manufacturing Execution System</td>
</tr>
<tr>
<td>OEM</td>
<td>Original Equipment Manufacturer</td>
</tr>
<tr>
<td>PA</td>
<td>Process Automation</td>
</tr>
<tr>
<td>PCS</td>
<td>Process Control System</td>
</tr>
<tr>
<td>PLC</td>
<td>Programmable Logic Controller</td>
</tr>
<tr>
<td>RFID</td>
<td>Radio Frequency Identification</td>
</tr>
<tr>
<td>SBT</td>
<td>Siemens Building Technologies</td>
</tr>
<tr>
<td>TIA</td>
<td>Totally Integrated Automation</td>
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Reconciliations and definitions


"ROE" (Return on equity) margin for SFS was calculated as SFS' income before income taxes divided by the allocated equity for SFS. Allocated equity for SFS as of September 30, 2005 was €983 million. See also Siemens’ Form 20-F at our Investor Relations website under www.siemens.com.

The allocated equity for SFS is determined and influenced by the respective credit ratings of the rating agencies and by the expected size and quality of its portfolio of leasing and factoring assets and equity investments and is determined annually. This allocation is designed to cover the risks of the underlying business and is in line with common credit risk management standards in banking. The actual risk profile of the SFS portfolio is monitored and controlled monthly and is evaluated against the allocated equity.

Siemens ties a portion of its executive incentive compensation to achieving economic value added (EVA) targets. EVA measures the profitability of a business (using Group profit for the Operating Groups and income before income taxes for the Financing and Real estate businesses as a base) against the additional cost of capital used to run a business, (using Net capital employed for the Operating Groups and risk-adjusted equity for the Financing and Real estate businesses as a base).
A positive EVA means that a business has earned more than its cost of capital, and is therefore defined as value-creating.
A negative EVA means that a business is earning less than its cost of capital and is therefore defined as value-destroying. Other organizations that use EVA may define and calculate EVA differently.

A reconciliation of EVA may be found on our Investor Relations website under www.siemens.com.
Siemens Investor Relations Team

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<thead>
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