I&S – From System Integrator to Solution Provider

Joergen Ole Haslestad, Group President

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

This presentation contains forward-looking statements and information – that is, statements related to future, not past, events. These statements may be identified either orally or in writing by words as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will” or words of similar meaning. Such statements are based on our current expectations and certain assumptions, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens’ control, affect its operations, performance, business strategy and results and could cause the actual results, performance or achievements of Siemens worldwide to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For us, particular uncertainties arise, among others, from changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products or technologies by other companies, lack of acceptance of new products or services by customers targeted by Siemens worldwide, changes in business strategy and various other factors. More detailed information about certain of these factors is contained in Siemens’ filings with the SEC, which are available on the Siemens website, www.siemens.com and on the SEC’s website, www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as anticipated, believed, estimated, expected, intended, planned or projected. Siemens does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.
The Siemens Automation and Control Groups offer comprehensive solutions for production, infrastructure and building management.

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 2005: €21 billion
From system integrator to solution provider for infrastructure and industry

Business structure

<table>
<thead>
<tr>
<th>Sales (in € billion)</th>
<th>FY 02</th>
<th>FY 06 – mid-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>80%</td>
<td>65%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>20%</td>
<td>35%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Total Sales (€ billion)</td>
<td>4.6</td>
<td></td>
</tr>
</tbody>
</table>

FY 02 FY 06 – mid-term
Consistent improvements in portfolio, people and processes led to I&S’ turnaround.

Group profit (in € mn, % of sales)

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit (€ mn)</th>
<th>ROCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 02</td>
<td>-198</td>
<td>-35%</td>
</tr>
<tr>
<td>FY 03</td>
<td>-41</td>
<td>-14%</td>
</tr>
<tr>
<td>FY 04</td>
<td>95</td>
<td>22%</td>
</tr>
<tr>
<td>FY 05</td>
<td>139</td>
<td>2.6%</td>
</tr>
<tr>
<td>FY 06 Q1</td>
<td></td>
<td>2.8%</td>
</tr>
</tbody>
</table>
Portfolio: Optimization and considerable growth in international business

Order intake FY2002 - FY2006
(in € billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>International</th>
<th>Domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 02</td>
<td>4.1</td>
<td>0.8</td>
</tr>
<tr>
<td>FY 03</td>
<td>3.9</td>
<td>0.9</td>
</tr>
<tr>
<td>FY 04</td>
<td>4.3</td>
<td>1.0</td>
</tr>
<tr>
<td>FY 05</td>
<td>5.7</td>
<td>1.1</td>
</tr>
<tr>
<td>FY 06 Q1</td>
<td>2.7</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Order Intake

Sales

Portfolio clean up

... optimization

Order Intake
People: Dramatic shift in employment, business structure and quality

Reduction in headcount (-7,000 HC) through divestments, closure and layoffs – increase in headcount through portfolio-oriented acquisitions

Order structure (2002):

- ~ 60% international
- ~ 40% domestic

Order structure (2006):

- ~ 80% international
- ~ 20% domestic

Employees in thousands

FY 02: 28.6
- Germany: -1,200
- ROW: +170
- Americas: -60
- Europe (w/o Germany): -300

FY 03: 25.9
- Germany: -900
- ROW: +80
- Americas: +40
- Europe (w/o Germany): -300

FY 04: 24.7
- Germany: -1,600
- ROW: +10
- Americas: +370
- Europe (w/o Germany): +6,300

FY 05: 31.7
- Germany: +1,200
- ROW: +300
- Americas: +1,700
- Europe (w/o Germany): +600

FY 06 Q1: 36.8
- Germany: +1,400
- ROW: +1,200
- Americas: +1,400
- Europe (w/o Germany): +1,700

Order Intake:

- FY 02: €4.1 bn
- FY 03: €3.9 bn
- FY 04: €4.3 bn
- FY 05: €5.7 bn
- FY 06 Q1: ~ €6.3 bn

Ramp-up of engineering pool in low-cost countries: 500 engineering specialists outside Germany (e.g. China, Brazil, India)

Starting point Oct. 1st, 2001: 30.1 HC

improved quality of people

Processes: consistent optimizations have improved average project profit quality significantly

Profit results of projects through limits of authority process (LoA)

- More transparency re: project risks
- Standardized project reviews (bid / no bid, technology fit, etc.)
- Ensuring that higher order intake margins are reached
- Quality improvement of project managers
- Lower extra cost during project execution phase
- Ensuring standardized solutions

∅ turnover of projects: 28 months
Continuous improvement through consistent performance dialogue with regional businesses

Profit improvement within the 64 regional businesses

- Close monthly interaction with local management
- Definition and control of productivity measures
- Clear restructuring plan
Solutions based on our own products secure future profitable growth

Business structure

Sales (in € billion)

- FY02: 4.6
- FY03: 4.0
- FY04: 4.2
- FY05: 5.3
- FY06 - mid term: 7.0

- On call, logistics & maintenance: 35%
- Service for other Siemens Groups: 25%
- Solutions (based on own I&S products & solutions): 40%
- Solutions (based on products from other Siemens Groups): 10%

Acquisitions:
- €3.7 bn
- 15,000 emp.
- STS (Israel)
- Airport Solutions (turnkey solutions)
- Alternative Power Solutions
- USFilter (USA)
- VAI (OES)
- ELIN (OES)
- Chlorco (USA)
- Phoenix (USA)
- Berwanger (USA)
- Monosep (USA)
- Altivia* (USA)
- Small service acq. (USA)
- (L&A AL / PA)

Divestments:
- €0.6 bn
- 3,100 emp.
- ST (turnkey solutions)
- Assembly activities:
  - Germany
  - Finland
  - Sweden
  - Netherlands
  - TTV (Belgium)
- FEAG (51%)
- Assembly activity:
  - STS (Denmark)
  - Courbon (France)

* Odor control disinfection business only
### I&S today: Our business activities

<table>
<thead>
<tr>
<th>Industry</th>
<th>Infrastructure</th>
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<tbody>
<tr>
<td>IP Industrial Plants</td>
<td>VAI Voest Alpine Industries</td>
</tr>
<tr>
<td>IS Industrial Services</td>
<td>WT Water Technologies</td>
</tr>
<tr>
<td>ITS Intelligent Traffic Systems</td>
<td>AL Airport Logistics</td>
</tr>
<tr>
<td>PA Postal Automation</td>
<td></td>
</tr>
</tbody>
</table>

- **Oil & Gas**
- **Iron & Steel Making**
- **Engineering & Construction**
- **Equipment Systems**
- **Traffic Solutions**
- **Baggage Handling**
- **Sorting Machines**

- **Paper**
- **Rolling & Processing Technology**
- **OnCall-, Logistics**
- **Electrical Systems & Automation**
- **Airfield Systems**
- **Cargo Handling**
- **Reading & Coding**

- **Marine**
- **Services & Maintenance**
- **Services**
- **Customer Services**
- **Parcel Systems**
- **Services**

- **Metals**
- **Equipment Systems**
- **Services**
- **Industrial Services**
- **Software Applications**

- **Mining**
- **Electrical Systems & Automation**
- **Services**
- **Industrial Plants**
- **Services**

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**Standardization: Technologies & Processes (in 64 countries)**

- **Sales**
  - 65%
- **Worldwide total solution provider based on standard products solving the challenges of global trends**
  - 35%
Metals and Mining

Solutions:

Iron and Steel Making

Rolling and Processing

Mining

Standard products:

COREX - an innovative process for low-cost and environmentally-friendly production of hot metal

FUCHS Electric Arc Furnaces for energy-efficient, low-cost production of steel using SIMELT EST

SMART Casting Technologies for top quality and productivity using SIMELT CA

VAI’s PLATE MILLS for high-quality and jumbo dimensions

Continuous Galvanizing Lines – top market position in cutting-edge steel coating technology

SIROLL product family – leading, fully integrated electric and automation solutions in Rolling and Processing

SIMINE CONT solutions for continuous excavating and transportation

SIMINE Mill GD gearless drives for grinding mills in beneficiation processes

SIMINE CC control room center for the whole mining operation and visualization
Oil & Gas and Marine

Solutions:

Oil & Gas Production

Standard products:

SISOG LNG: Complete E-Drives Systems (2x 65MW, 1x 32MW) for the first “All Electrical LNG Plant” worldwide (Hammerfest-Norway)

SISOG COMP A: Compressor Station Automation Systems for optimized plant operation based on models/simulation

SISOG E-HOUSE: Complete containerized power distribution systems for floating and fix platforms – more convenient and cost effective

SISHIP Cargo LNG: Completely integrated E-solutions for LNG vessels assure reduced operational costs and increased reliability

SISHIP SSP: High-performance “outboard motor” up to 20 MW - more efficient (efficiency up 98%), highly maneuverable (turnable by 360°)

SINAVY PEM Fuel Cell for Submarines: Dive length extension of several weeks, silent and exhaust gas free energy conversion

Marine Transportation
Water Technologies

Solutions:

- **Industrial Water Treatment**
- **Municipal Water Treatment**

Standard products:

- **Process water systems** - standardized reverse osmosis systems
- **Wastewater purification systems** - microfiltration for removing harmful substances from wastewater
- **Metal recovery systems** - metal recovery from industrial wastewater
- **Cannibal** - biological systems for sewage sludge reduction
- **ChemFeed systems** for chlorination of drinking water and swimming pool water
- **Odor Control** - odor control systems for wastewater treatment
Intelligent Traffic Systems

Solutions:

Urban Traffic

Inter-urban Traffic

Standard products:

Urban traffic control & management including signal heads & controllers, detection systems; advanced management tools

Telematics addressing tolling solutions, enforcement, environmental monitoring, access control systems

Parking systems covering parking guidance, management, detection and pay & display machines (PRISMA, SITY)

Automatic incident detection based on detection of e.g. accidents, smoke, traffic jams, …

Tunnel control, guidance & emergency systems covering communication within tunnels; fire protection and control centers

Traffic re-routing, lane closures & variable speed management by e.g. movable barriers, variable message signs, ramp metering
Airport Logistics

Solutions:

- Baggage Handling
- Tray conveyor systems - systems for high speeds (10 m/s) and large distances (e.g. between terminals)
- Belt conveyor systems - systems for high throughput over shorter distances
- High-speed diverter for fast and gentle diversion of baggage

Cargo Handling
- Turn-key solutions for cargo centers at airports (planning, layout, construction, commissioning and services)
- Conveyor systems for automated transport of standard cargo containers, so-called "unit load devices" (ULDs)
- Warehousing and material flow solutions for container management in cargo centers

Standard products:
Postal Automation

Solutions:

- Letter Sorting
- Parcel Sorting

Standard products:

- **Open mail system** - new innovative platform-based solution for sorting large letters. The most innovative sorting technology on the market
- **2-level-sorter** - new letter sorting product line that is based on modular platform elements
- **Reading & coding 1000** - the most powerful product platform for address reading and video coding of postal consignments
- **Circular sorter** - high-performance circular sorter (cross-belt, tilt tray) for sorting parcels and containers
- **Tray / parcel conveyor** - powerful roller and belt conveyor systems for transporting parcels and containers
- **Parcel depot** - innovative solution for picking up and returning parcels seven days a week around the clock to reduce last-mile costs
# Industrial Services

## Standard Services:

<table>
<thead>
<tr>
<th>Service</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TECHNICAL PERFORMANCE OPTIMIZATION</strong></td>
<td>Focuses on migration and upgrade services, modernization of multi-motor drive systems and drive controls as well as full line modernization</td>
</tr>
<tr>
<td><strong>CONTINUOUS MODERNIZATION SERVICES</strong></td>
<td>Encompasses plant performance reviews, energy performance reviews, asset condition management, and performance review of drives</td>
</tr>
<tr>
<td><strong>E-CONTRACTING SERVICES</strong></td>
<td>Focus on sports venues and medium-sized airports (&lt; 5 mn pax)</td>
</tr>
<tr>
<td><strong>GENERAL CONTRACTING</strong></td>
<td>Offered e.g. for geo-thermal energy and waste heat recovery plants</td>
</tr>
<tr>
<td><strong>REGIONAL SPECIFICS</strong></td>
<td>Encompass racetracks, hotels, leisure, and convention centers</td>
</tr>
<tr>
<td><strong>TECHNICAL EXPERT SERVICES</strong></td>
<td>Entail commissioning, maintenance, and engineering services for inter-company partners (PTD, PG, TS)</td>
</tr>
<tr>
<td><strong>METHODICAL EXPERT SERVICES</strong></td>
<td>Focus on both technical and commercial project management (foremost for TS), and IT integration services</td>
</tr>
<tr>
<td><strong>INTEGRAL PLANT MAINTENANCE</strong></td>
<td>Encompasses maintenance business reviews, improvement programs, energy optimization, and contracting</td>
</tr>
<tr>
<td><strong>FIELD &amp; ONLINE SERVICE</strong></td>
<td>Focuses on on-site default elimination, on-call services, remote monitoring, reliability solutions, industry specific services</td>
</tr>
<tr>
<td><strong>REPAIR SERVICE</strong></td>
<td>Encompasses repair, calibration, management of calibration cycles, customization &amp; re-manufacturing</td>
</tr>
<tr>
<td><strong>LOGISTICS SERVICES</strong></td>
<td>Entail procurement &amp; supply of spare parts, sales &amp; rental of instruments and tools, spare parts management &amp; handling of return</td>
</tr>
</tbody>
</table>

## Resources Pooling

- Industry
- Infrastructure
- Inter Company Services
- OnCall, Logistics & Maintenance
I&S holds # 1 or 2 positions in most markets

<table>
<thead>
<tr>
<th>Industry</th>
<th>FY05 Market (€ bn)</th>
<th>Competitive Landscape FY 2005</th>
<th>05-10 CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td>35.0</td>
<td>3% 2% 2% 2% 1% 91%</td>
<td>6%</td>
</tr>
<tr>
<td>Traffic 1)</td>
<td>5.4</td>
<td>11% 2% 2% 2% 1% 82%</td>
<td>4%</td>
</tr>
<tr>
<td>Airports</td>
<td>2.9</td>
<td>14% 7% 4% 2% 2% 71%</td>
<td>5%</td>
</tr>
<tr>
<td>Postal</td>
<td>2.5</td>
<td>22% 9% 7% 5% 4% 53%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Industry</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metals 2)</td>
<td>18.0</td>
<td>10% 8% 5% 2% 1% 74%</td>
<td>5%</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>7.0</td>
<td>7% 7% 6% 5% 3% 72%</td>
<td>6%</td>
</tr>
<tr>
<td>Paper</td>
<td>4.4</td>
<td>10% 3% 1% 2% 2% 84%</td>
<td>4%</td>
</tr>
<tr>
<td>Marine</td>
<td>3.8</td>
<td>5% 4% 4% 3% 2% 82%</td>
<td>4%</td>
</tr>
<tr>
<td>Mining</td>
<td>3.6</td>
<td>15% 3% 3% 1% 77%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Σ</strong></td>
<td>106.0 3)</td>
<td></td>
<td>Ø 6% 3)</td>
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</tbody>
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1) ITS Road and Airfield
2) including VAI, IP MET and IP IST
3) incl. Consolidation & Services
I&S Solutions meet global trends

- **Population growth**
  - Resource shortages
  - Increased mobility

- **Urbanization**

Worldwide water shortages and increasing demand for potable water require innovative solutions for water treatment.

Siemens provides equipment, solutions and process know-how for entire production chains in primary industries.

In 2008, more than 50% of people worldwide will live in cities: Intelligent traffic management solutions create mobility.

Globalization of businesses creates increasing demand for efficient processes in transportation and travel.

Water / Wastewater

Metals & Mining

Oil & Gas

Traffic

Airports
The coordinated management of the I&S businesses generates significant value

- Consistent project management
- Unique market entry worldwide through our global presence
- Standardized basic solution-modules
- Common use of trendsetting innovations
- International management pool
Reconciliations and definitions

"Group profit from Operations" is reconciled to "Income before income taxes" of Operations under "Reconciliation to financial statements" on the table "Segment information." See "Financial Reports/Fiscal 2006, Quarter 1 / Financial Statements" at our Investor Relations website under www.siemens.com

"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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