Siemens Energy – Adding Value

Wolfgang Dehen, CEO Energy

Capital Market Days “Energy”
Munich, July 1, 2008
This document contains forward-looking statements and information – that is, statements related to future, not past, events. These statements may be identified by words such as "expects," "looks forward to," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "will," "project" 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 our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Siemens 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 (including margin developments in major business areas); the challenges of integrating major acquisitions and implementing joint ventures and other significant portfolio measures; 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; changes in business strategy; the outcome of pending investigations and legal proceedings, especially the corruption investigations we are currently subject to in Germany, the United States and elsewhere; the potential impact of such investigations and proceedings on our ongoing business including our relationships with governments and other customers; the potential impact of such matters on our financial statements; as well as various other factors. More detailed information about certain of these factors is contained throughout this report and in our other 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 expected, anticipated, intended, planned, believed, sought, estimated 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.

This document presents other financial measures, “Profit Total Sectors,” “Return on capital employed” (ROCE), “Free cash flow” and “Cash conversion rate.” These measures are or may be “non-GAAP financial measures” as defined in relevant rules of the U.S. Securities and Exchange Commission. Our management takes these measures, among others, into account in its management of our business, and for this reason we believe that investors may find it useful to consider these measures in their evaluation of our performance. Neither Profit Total Sectors nor ROCE should be viewed in isolation as an alternative to IFRS net income for purposes of evaluating our results of operations; and CCR and Free cash flow should not be viewed in isolation as alternatives to measures reported in our IFRS cash flow statement for purposes of evaluating our cash flows. For definitions of Profit Total Sectors, ROCE, CCR and Free cash flow, please refer to “Reconciliation and Definitions for Non-GAAP Financial Measures” on our Investor Relations website, www.siemens.com/ir.
"Most motivating situation I have ever been in"
My personal inventory – 1st 180 days

My 3rd merger – synergy and performance improvement opportunities

A "sleepy giant"
(#1 in size, unrealized potential)

World class position of businesses

Outstanding markets - strong order book

Clear execution challenges - solutions in place

Energized new organization and team, eager to win

Committed to Fit4 2010 targets and on our way
From top to bottom line to cash –
adding value is my personal motivation

<table>
<thead>
<tr>
<th>Prepare</th>
<th>Transform</th>
<th>Deliver</th>
<th>Become the Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2009</td>
<td>2010</td>
<td>2011 and beyond</td>
</tr>
<tr>
<td>1. HY</td>
<td>1. HY adjusted(^1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top line</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>≈ €10.0 bn</td>
<td>≈ €10.0 bn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Material</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>~80% Material</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>~20% Labor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Margin</td>
<td>23%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D</td>
<td>3%</td>
<td>3%</td>
<td>R&amp;D Footprint LCC, Product Modularization, Reference Power Plants</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>9%</td>
<td>9%</td>
<td>SG&amp;A program, Cluster approach in regions</td>
</tr>
<tr>
<td>Bottom Line</td>
<td>≈ 3.5%</td>
<td>&gt;10%</td>
<td>Old target 9-13% ⇒ New target 11-15%</td>
</tr>
<tr>
<td>Cash Conversion</td>
<td>3.1</td>
<td>0.9</td>
<td>CAPEX discipline and Working Capital efficiency</td>
</tr>
<tr>
<td>Operating Working Capital(^2)</td>
<td>≈ €0.7 bn</td>
<td>≈ €0.7 bn</td>
<td>Energy Working Capital</td>
</tr>
<tr>
<td>CapEx</td>
<td>≈ €0.2 bn</td>
<td>≈ €0.2 bn</td>
<td>Focus on areas with highest growth and profitability expectations</td>
</tr>
<tr>
<td>ROCE</td>
<td>22.3%</td>
<td>72.5%</td>
<td>Margin improvement, working efficiency, selective CAPEX</td>
</tr>
</tbody>
</table>

\(^1\) i.e. without the fossil power turnkey project charges taken in Q1 and Q2 of FY 08
\(^2\) Trade Receivables and Inventories less Prepayments and Trade Payables
Key levers for target achievement in FY 2010 implemented

- Selective bidding (projects & regions)
- Focus on product & service businesses
- Risk management for key materials (e.g. steel)
- Value pricing (Performance, life cycle costs)
- Indexed pricing (pass-through of cost increases)
- Reduce COGS
- Global Footprint
- SG&A cost reduction
- Reduction of quality costs

Range of potential performance depending on economic scenarios
Siemens Energy outpaces rapid market growth

Growth of energy market worldwide

- Market growth around 9% p.a.
- Favorable market trends
  - Energy costs (oil, gas, coal)
  - Energy demand (economic growth, growing population, megacities)
  - Climate change, CO₂ reduction
  - Aging infrastructure (power plants, grids)
  - All electric infrastructure to come
  - Increasing complexity of the energy system (more diverse sources, more consumers)

Our strategy:
- Build and expand capacity
- Grow product business
- Grow service business
Siemens Energy is present in all high growth markets

Gas fired power plants
- World market Ø 2002-07: 52 GW
- Biggest markets: Middle East, Russia, North America

Wind power
- World market 2007: €30 bn
- Biggest markets 2007: USA, China, Spain

Fossil & industrial service:
- Global installed fleet 2007: 3400 GW
- Biggest markets: USA, Europe

Medium Voltage Switchgear
- World market 2007: €14 bn
- Biggest markets: China, Europe, USA

Boil-off compression in LNG
- World market 2007: €0.7 bn
- Biggest markets: Asia Pacific, Middle East, Africa

Power Transformer
- World market 2007: €9.2 bn
- Biggest markets: China, USA
Siemens Energy holds strong position in Regions, Divisions and Businesses

Market position today

- Americas
  - Sector Energy #2
  - Fossil #1
  - Oil & Gas #2
  - Renewables #3
  - Service #2
  - Transmission #2
  - Distribution #2

- Europe / CIS / Africa
  - Sector Energy #1
  - Fossil #2
  - Oil & Gas #1
  - Renewables #6
  - Service #2
  - Transmission #1
  - Distribution #1

- Asia / Australia
  - Sector Energy #1
  - Fossil #6
  - Oil & Gas #2
  - Renewables #8
  - Service #5
  - Transmission #1
  - Distribution #2

- 6 of 19 Business Units in #1 position
- 11 of 19 Business Units in #2 position
- 1 Business Unit start up (Wind)
- 1 Business Unit New Technologies

1) market position incl. Shanghai Electric: #2
Each Division already has a market-leading position

- **Oil & Gas**
  - Best in Class Portfolio for All-Electric Oil & Gas
  - #1 in industrial steam turbines
  - #1 in Process Compressors
  - #2 in industrial gas turbines

- **Fossil**
  - Most powerful gas turbine with highest efficiency in combined cycle
  - #1 in Instrumentation & Electrical for power plants
  - Highly flexible state of the art gas turbine
  - Full innovation pipeline

- **Renewables**
  - #1 position in offshore – fastest growing wind market
  - 100% on time delivery in fast growing market
  - >95% availability of installed base

- **Service**
  - 20% of global installed base
  - Customer intimacy
  - World record for shortest outage duration

- **Transmission**
  - Most competitive switch-gear and solutions for AC power Grids
  - Fastest to market with superior HVDC technologies e.g. UHVDC, HVDC Plus.

- **Distribution**
  - #1 in Energy Automation
  - #1 gas insulated medium voltage switchgear
  - Best in class network planning

---

**Market positions**

- No. 2
- No. 2
- No. 6
- No. 2
- No. 1
- No. 2
Siemens Energy increases top- and bottom-line by making customers more successful with...

### ... best products and upgrades

<table>
<thead>
<tr>
<th>Product / solution</th>
<th>Customer value add</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas turbine SGT5-4000F Upgrade from 266 MW to 292 MW</td>
<td>Performance improvement, higher efficiency, less emissions</td>
<td>CCPP Mainz-Wiesbaden, CCPP Ribatejo</td>
</tr>
<tr>
<td>High voltage DC transmission - Upgrade from 2000 to 2500 MW</td>
<td>Increasing transmission capacity, higher performance</td>
<td>“East-South” long-distance HVDC transmission link in India</td>
</tr>
</tbody>
</table>

### ... integrated products and solutions

<table>
<thead>
<tr>
<th>Product / solution</th>
<th>Customer value add</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offshore wind turbines, Siemens #1 supplier</td>
<td>Customized package: High efficiency 3.6 MW wind turbine + connection to the grid from a single source</td>
<td>Wind farm Lynn and Inner Dowsing, GB</td>
</tr>
</tbody>
</table>

### ... most comprehensive service solution

<table>
<thead>
<tr>
<th>Product / solution</th>
<th>Customer value add</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long term program contracts (service contracts)</td>
<td>Reduced outage duration, higher availability, lower maintenance costs / risk calculation</td>
<td>Condition based maintenance</td>
</tr>
</tbody>
</table>

CCPP: Combined Cycle Power Plant
Siemens Energy expands technology leadership and converts it into profitable business

<table>
<thead>
<tr>
<th>Technology</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floating offshore wind turbines</td>
<td>In development</td>
</tr>
<tr>
<td>H class gas turbine</td>
<td>In testing</td>
</tr>
<tr>
<td>Subsea Compression</td>
<td>In testing</td>
</tr>
<tr>
<td>Siplink</td>
<td>1st orders</td>
</tr>
<tr>
<td>800 KV HVDC</td>
<td>1st orders</td>
</tr>
<tr>
<td>Multi fuel gasification</td>
<td>1st orders</td>
</tr>
</tbody>
</table>

Siemens Energy – driving the pipeline through innovation
Siemens Energy increases efficiency – from primary energy to power consumption

- Efficiency up to ~50% for All electric O&G
- Efficiency up to more than ~60% for CCPP
- Output up through upgrades
- Output up Average energy production / year
- Efficiency up in Power Transmission
- Emission down CO₂-reduction with Siplink

Current ø for All Electric Siemens O&G
Ø state of the art GT in CCPP
Siemens CCPP
Example: NPP Borssele
35 MW increase in 35 days!
Capacity of average wind turbine
Siemens 2.3 MW turbine with 101m rotor
Efficiency in current AC-systems
Siemens 800 kV UHVDC system
ships with own engines running per Ship/Day in harbor

Optimization with most advanced technology for intelligent grid management
### Siemens Energy provides comprehensive answers to customers

<table>
<thead>
<tr>
<th>Region</th>
<th>Customers</th>
<th>Example</th>
<th>Division</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Oil &amp; Gas</td>
</tr>
<tr>
<td>Americas</td>
<td>▪ Florida Power and Light</td>
<td><img src="FPL.png" alt="FPL" /></td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Progress Energy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ TransCanada</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Petrobras</td>
<td><img src="Petrobras.png" alt="Petrobras" /></td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Termoelectrica Manuel Belgrano S.A.</td>
<td><img src="Petrobras.png" alt="Petrobras" /></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>▪ RWE</td>
<td><img src="E.on.png" alt="E.on" /></td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ ACS</td>
<td><img src="E.on.png" alt="E.on" /></td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ E.on</td>
<td><img src="E.on.png" alt="E.on" /></td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Scottish and Southern Energy</td>
<td><img src="Statkraft.png" alt="Statkraft" /></td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Statkraft</td>
<td><img src="Statkraft.png" alt="Statkraft" /></td>
<td></td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>▪ China Light and Power</td>
<td><img src="China.png" alt="China Light and Power" /></td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ State Grid Corporation of China</td>
<td>![State Grid](State Grid.png)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ POSCO Power Corporation</td>
<td>![State Grid](State Grid.png)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Keangnam Enterprise of Korea</td>
<td><img src="Keangnam.png" alt="Keangnam" /></td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ PowerSeraya Ltd (Singapore)</td>
<td><img src="PowerSeraya.png" alt="PowerSeraya" /></td>
<td></td>
</tr>
</tbody>
</table>
Complete infrastructure projects supported by Siemens Energy – the Integrated Energy Company

Desalination and combined cycle power plant

Oil & Gas applications

Power Transmission

Energy Service

Combined cycle power plant

Energy Automation

Switchgear
Driving performance in all Divisions

Reach Fit4 2010 targets = Adding value

<table>
<thead>
<tr>
<th>Divisions</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil &amp; Gas</td>
<td>Become #1 supplier to National Oil Companies</td>
</tr>
<tr>
<td>Fossil</td>
<td>Reach #1 position for advanced GT frames Double advanced fleet in 5 years</td>
</tr>
<tr>
<td>Renewables</td>
<td>Top 3 by 2012 in wind Expand product portfolio</td>
</tr>
<tr>
<td>Service</td>
<td>Deliver additional earnings of 1% point per year</td>
</tr>
<tr>
<td>Transmission</td>
<td>Drive execution and deliver upper end of target range in 2010</td>
</tr>
<tr>
<td>Distribution</td>
<td># 1 in utilities, # 2 in industry</td>
</tr>
</tbody>
</table>

Target margin

- Focus on high growth markets (NME, USA)
- Grow business in BRIC (Brazil / Russia / India / China) through new JV's and own footprint
My program to sustainably increase bottom line:

<table>
<thead>
<tr>
<th>Costs down</th>
<th>Sustain improvements</th>
<th>Sales up</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Division CEOs</strong></td>
<td><strong>Division CEOs</strong></td>
<td><strong>Ralf Christian</strong></td>
</tr>
<tr>
<td>Productivity</td>
<td>Footprint / Manuf.</td>
<td>Innovation and R&amp;D</td>
</tr>
<tr>
<td>Ralf Guntermann</td>
<td>Project Management</td>
<td></td>
</tr>
<tr>
<td>SG&amp;A costs</td>
<td>Resource Management/HR</td>
<td>Wolfgang Dehen</td>
</tr>
<tr>
<td>Working capital</td>
<td>Randy Zwirn</td>
<td></td>
</tr>
<tr>
<td>Division CEOs</td>
<td>Resource Management/HR</td>
<td></td>
</tr>
<tr>
<td>CAPEX</td>
<td>Udo Niehage</td>
<td>Business Portfolio</td>
</tr>
<tr>
<td>Frank Stieler</td>
<td>Procurement and Supply Chain</td>
<td></td>
</tr>
<tr>
<td>Quality costs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Division CEOs**
- Rene Umlauft
- Michael Süß
- Randy Zwirn
- Udo Niehage

**Ralf Christian**
- Wolfgang Dehen
Building a high performance culture

Key elements

- Increase diversity
- Drive internationality
- Develop top talents
Priority for the Energy Sector: continuously add value

Meet the targets
by establishing a high performance culture

Fit4 2010 = Adding value
- Top line Growth > market
- Gross Margin Growth
- Bottom Line:
  - 11% (weak energy scenario)
  - 15% (strong energy scenario)
- ROCE
- Cash conversion > 1- growth rate
- Operational Excellence

Sticking to the ground rules
- Discipline, discipline, discipline
- Operating model: Make the numbers, no excuses, no surprises
- Transparency, transparency, transparency
- Zero tolerance attitude and behavior

Beyond 2010
Become the industry benchmark in top and bottom line

The only Integrated Energy Company
to efficiently answer the challenges of Energy infrastructure
Reconciliation and Definitions for Non-GAAP Measures (I)

Profit Total Sectors is defined as the sum of the profits of each of the three new Sectors that Siemens uses for purposes of reporting IFRS segment results commencing with the third quarter of fiscal 2007. For a reconciliation of Profit Total Sectors to the most directly comparable IFRS financial measure (Income from continuing operations before income taxes), see Exhibits 99 (b, c, d) to the Siemens Report on Form 6-K furnished to the U.S. Securities and Exchange Commission (SEC) on June 24, 2008, which is available on our Investor Relations website under www.siemens.com/ir.

Return on Capital Employed (ROCE) is a measure of how capital invested in the Company or the Sectors yields competitive returns. For the Company, ROCE is calculated as Net income (before interest) divided by average Capital employed (CE). Net income (before interest) is defined as Net income excluding Other interest income (expense), net and excluding taxes on Other interest income (expense), net. Taxes on Other interest income (expense), net are calculated in simplified form by applying the current tax rate which can be derived from the Consolidated Statements of Income, to Other interest income (expense), net. CE is defined as Total equity plus Long-term debt plus Short-term debt and current maturities of long-term debt minus Cash and cash equivalents.

Because Siemens reports discontinued operations, Siemens also calculates ROCE on a continuing operations basis, using Income from continuing operations rather than Net income. For purposes of this calculation, CE is adjusted by the net figure for Assets classified as held for disposal included in discontinued operations less Liabilities associated with assets classified as held for disposal included in discontinued operations. For the Sectors, ROCE is calculated as Profit divided by average Net capital employed (NCE). Profit for the Sectors is principally defined as earnings before financing interest, certain pension costs and income taxes, whereas certain other items not considered performance indicative by Management may be excluded. NCE for the Sectors is defined as total assets less income tax assets, less non-interest bearing liabilities/provisions other than tax liabilities.

Average (Net) Capital employed for the fiscal year is calculated as a “five-point average” obtained by averaging the (Net) Capital employed at the beginning of the first quarter plus the final figures for all four quarters of the fiscal year. For the calculation of the average for the quarters, see below:
Reconciliation and Definitions for Non-GAAP Measures (II)

Average calculation for CE*:

<table>
<thead>
<tr>
<th>Year-to-Date</th>
<th>Q1</th>
<th>2 Point average: (CE ending Q4 Prior year + CE ending Q1) / 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q2</td>
<td>3 Point average: (CE ending Q4 Prior year + CE ending Q1 + CE ending Q2) / 3</td>
</tr>
<tr>
<td></td>
<td>Q3</td>
<td>4 Point average: (CE ending Q4 Prior year + CE ending Q1 + CE ending Q2 + CE ending Q3) / 4</td>
</tr>
<tr>
<td>Quarter-to-Date</td>
<td>Q1</td>
<td>2 Point average: (CE ending Q4 Prior year + CE ending Q1) / 2</td>
</tr>
<tr>
<td></td>
<td>Q2</td>
<td>2 Point average: (CE ending Q1 + CE ending Q2) / 2</td>
</tr>
<tr>
<td></td>
<td>Q3</td>
<td>2 Point average: (CE ending Q2 + CE ending Q3) / 2</td>
</tr>
<tr>
<td></td>
<td>Q4</td>
<td>2 Point average: (CE ending Q3 + CE ending Q4) / 2</td>
</tr>
</tbody>
</table>

* NCE for Sectors

Our cash target is based on the Cash Conversion Rate (CCR), which serves as a target indicator for the Company’s or the Sectors’ cash flow. For the Company, CCR is defined as the ratio of Free cash flow to Net income, where Free cash flow equals the Net cash provided by (used in) operating activities less Additions to intangible assets and property, plant and equipment. Because Siemens reports discontinued operations, this measure is also shown on a continuing operations basis, using Income from continuing operations, Net cash provided by (used in) operating activities – continuing operations and Additions to intangible assets and property, plant and equipment for continuing operations for the calculation.

For the Sectors, CCR is defined as Free cash flow divided by Profit. All values needed for the calculation of ROCE and CCR can be obtained from the Consolidated Financial Statements and Notes to Consolidated Financial Statements.

Profit, Net capital employed (under the column named Assets) and Free cash flow for the Company and the Sectors can be found on the Exhibits 99 (b,c,d) to the Siemens Report furnished on Form 6-K to the SEC on June 24, 2008, which is available on our Investor Relations website under www.siemens.com/ir.

To measure Siemens’ achievement of the goal to grow at twice the rate of global GDP, we use GDP on real basis (i.e. excluding inflation and currency translation effects) with data provided by Global Insight Inc. and compare those growth rates with growth rates of our revenue (under IFRS). In accordance with IFRS, our revenue numbers are not adjusted by inflation and currency translation effects.

Profit Total Sectors, ROCE, CCR and Free cash flow are or may be Non-GAAP financial measures as defined in relevant rules of the U.S. Securities and Exchange Commission. Our management takes these measures, among others, into account in its management of our business, and for this reason we believe that investors may find it useful to consider these measures in their evaluation of our performance. None of Profit Total Sectors and ROCE should be viewed in isolation as an alternative to IFRS net income for purposes of evaluating our results of operations; CCR and Free cash flow should not be viewed in isolation as an alternative to measures reported in our IFRS cash flow statement for purposes of evaluating our cash flows.
### Siemens Investor Relations Team

<table>
<thead>
<tr>
<th>Name</th>
<th>Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Sen</td>
<td>+49-89-636-33780</td>
</tr>
<tr>
<td>Gerald Brady</td>
<td>+1-408-492-4439</td>
</tr>
<tr>
<td>Florian Flossmann</td>
<td>+49-89-636-34095</td>
</tr>
<tr>
<td>Sabine Groß</td>
<td>+49-89-636-35755</td>
</tr>
<tr>
<td>Dr. Martin Meyer</td>
<td>+49-89-636-33693</td>
</tr>
<tr>
<td>Christof Schwab</td>
<td>+49-89-636-32677</td>
</tr>
<tr>
<td>Dr. Gerd Venzl</td>
<td>+49-89-636-44144</td>
</tr>
</tbody>
</table>

**Webpage:** [http://www.siemens.com/investorrelations](http://www.siemens.com/investorrelations)

**e-mail:** investorrelations@siemens.com

**Telephone:** +49-89-636-32474

**Fax:** +49-89-636-32830