Power Generation – Profitable Growth in Changing Markets

Klaus Voges, Group President

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Comprehensive product and service portfolio – Leading market positions in nearly all businesses

<table>
<thead>
<tr>
<th>Business activities</th>
<th>Market position</th>
<th>Fossil Power Generation (F)</th>
<th>Industrial Applications (I)</th>
<th>Instrumentation and Control (L)</th>
<th>Wind Power (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Large gas turbines&lt;br&gt;▪ Large steam turbines&lt;br&gt;▪ Electrical generators&lt;br&gt;▪ Combined cycle and steam power plants&lt;br&gt;▪ Service, e.g. plant diagnostics, operating plant, boiler and environmental service</td>
<td># 2</td>
<td>▪ Small and medium gas turbines&lt;br&gt;▪ Small steam turbines&lt;br&gt;▪ Turbo compressors&lt;br&gt;▪ Solutions for Oil &amp; Gas&lt;br&gt;▪ Industrial power plants&lt;br&gt;▪ Service</td>
<td># 2</td>
<td>▪ Instrumentation and Control systems for all types of power plants&lt;br&gt;▪ IT solutions&lt;br&gt;▪ Service</td>
<td># 1</td>
</tr>
</tbody>
</table>
Strong portfolio generating profitable growth and changing business mix

Orders in € billions

FY 1999

5.8*  
- I & C
- Industrial
- Fossil

FY 2005

10.9  
- Wind
- I & C
- Industrial
- Fossil

~ 11% p.a.

* without Nuclear and Hydro
Megatrends urbanization, environmental care and scare natural resources resulting in multiple opportunities

Global challenges

- More than 70% increase in worldwide power consumption by 2020

Market opportunities

- Well balanced energy mix (fossil, nuclear and renewable) to address reliability of supply, economical and environmental issues

- Power Generation:
  - Fossil fuels, esp. gas, retain dominant with further use of coal (IGCC*)
  - Renewable increasing (esp. wind power)
  - Climate protection and reduction of pollution, e.g. CO$_2$, NO$_x$, and clean coal, becoming more relevant (“Environmental compliance”)

- Oil & Gas:
  - Increasing investments in exploration & production (Off-shore/Subsea)
  - Transportation of stranded Oil & Gas reserves becoming more important (Pipelines/LNG*)
  - Increasing demand for cleaner fuels (GTL*)

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*IGCC=Integrated Gasification Combined Cycle, LNG= Liquefied Natural Gas, GTL=Gas to Liquid
Fossil power and Asia are the largest markets

### Power Plants

<table>
<thead>
<tr>
<th>Region</th>
<th>GW/a Ø FY99-04</th>
<th>GW/a Ø FY05-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fossil</td>
<td>188</td>
<td>195</td>
</tr>
<tr>
<td>Small Gen*</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Nuclear</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>STPP</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td>&quot;Fossil&quot; Power Generation</td>
<td>55</td>
<td>51</td>
</tr>
<tr>
<td>CCPP</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>GTTP</td>
<td>23</td>
<td>24</td>
</tr>
<tr>
<td>Wind 7</td>
<td>9</td>
<td>18</td>
</tr>
<tr>
<td>Hydro</td>
<td>30</td>
<td>31</td>
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</table>

### Regions

<table>
<thead>
<tr>
<th>Region</th>
<th>GW/a Ø FY99-04</th>
<th>GW/a Ø FY05-10</th>
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<tbody>
<tr>
<td>West Europe</td>
<td>188</td>
<td>195</td>
</tr>
<tr>
<td>Eastern Europe/CIS</td>
<td>24</td>
<td>31</td>
</tr>
<tr>
<td>Asia/Australia</td>
<td>83</td>
<td>94</td>
</tr>
<tr>
<td>U.S.</td>
<td>63</td>
<td>38</td>
</tr>
<tr>
<td>Africa/NME</td>
<td>14</td>
<td>24</td>
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</tbody>
</table>

* Reciprocating Engines, Fuel Cells, Micro gas turbines; STPP: Steam Power Plant; CCPP: Combined Cycle Power Plant; GTTP: Gas Power Plant
The future energy landscape will be environmental-friendly and integrated.
Active management leads to a well-balanced growth portfolio

<table>
<thead>
<tr>
<th>Acquisitions</th>
<th>PG F</th>
<th>PG I</th>
<th>PG L</th>
<th>PG R</th>
<th>Joint Ventures</th>
<th>Divestiture</th>
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<tbody>
<tr>
<td>Parsons</td>
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<tr>
<td>Westinghouse</td>
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<td></td>
<td>Framatome ANP² 34% (formerly KWU Nuclear Div.)</td>
<td>Ceramics Redwitz</td>
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<td>Demag Delaval</td>
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<td></td>
<td></td>
<td></td>
<td>Voith Siemens Hydro 35% (formerly KWU Hydro Div.)</td>
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<td>Alstom Ind. Turbines</td>
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<td></td>
<td></td>
<td>Cooperation with Shanghai Electric (several JVs)</td>
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<tr>
<td>ICIS¹ New Energy</td>
<td>1998</td>
<td></td>
<td>2001</td>
<td>2004</td>
<td>Turbo Service Network (joint venture with Chromalloy, managed by PG)</td>
<td></td>
</tr>
<tr>
<td>Associates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Power Machines Investment of 25% plus one share</td>
<td></td>
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<tr>
<td>Bonus Energy</td>
<td>2003</td>
<td></td>
<td>2003</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Jet Turbine Service</td>
<td></td>
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<tr>
<td>Wheelabrator</td>
<td>2005</td>
<td></td>
<td>2004</td>
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</tbody>
</table>

¹ Industrial Control and Information Systems, ² Framatome Advanced Nuclear Power

PG successfully entered the growing wind market

**Strength of Bonus**
- Reliable technology
- Strong customer base
- Loyal and experienced workforce
- Unique off-shore experience

**Combination of strengths lead to**
- Further penetration of global wind markets
- Multiple large project handling
- Ability to offer off-shore turnkey projects
- “One stop” supplier for power generation equipment

**Strength of Siemens**
- Financial strength
- Global distribution network
- Local presence worldwide
- Strong customer base
- Synergies with other Groups (e.g. grid connection (PTD), gear box, generator, converter (A&D))

**Wind Market in gigawatt**
- FY 2004: 8.1
- FY 2006: 11.1
- FY 2010: ~16.8

**Sales indexed**
- FY 2004: 100
- FY 2006: 250
- FY 2010: ~630

+ 13% p.a.  
+ 36% p.a.

Leading to a strong market player
With the acquisition of Wheelabrator
PG enters the market for environmental compliance

Who is Wheelabrator?
Founded in 1913, Wheelabrator is now located with ~145 employees in Pittsburgh and Milton producing Fabric Filters, Electrostatic Precipitators, Flue Gas Desulphurization Systems, NOx and ancillary products.

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**Strength of Wheelabrator**
- Strong position in U.S. market
- Experienced workforce
- Reliable technology

**Combination of strengths**
- Siemens meets its customers’ needs in the field of environmental compliance through a complete product portfolio
- Using Siemens’ international distribution network for better leveraging of opportunities in environmental markets

**Strength of Siemens**
- International customer access
- Large installed fleet
- Financial strength
- Offering of OEM services

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Global FGD Market

<table>
<thead>
<tr>
<th>Year</th>
<th>Market in € billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2005</td>
<td>~ 4.7</td>
</tr>
<tr>
<td>FY 2010</td>
<td>~ 5</td>
</tr>
</tbody>
</table>

+ 1.6% p.a. ~ 4.7

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**Wheelabrator Sales indexed**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Indexed</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2005</td>
<td>100</td>
</tr>
<tr>
<td>FY 2010</td>
<td>250</td>
</tr>
</tbody>
</table>

+ 19.3% p.a.
Further extension of service businesses contributing to our future profitability

Fossil Power Generation:
Stabilized base and organic growth:
- Steam turbine service: higher investments in upgrades
- Gas turbine: increasing installed fleet of new units
Accelerated growth derived from exploring new markets:
- Service offerings beyond the turbo set
- Increasing participation in environmental compliance market due to the acquisition of Wheelabrator
- Targeting the matured fleet and installed competitors’ fleets via our dual brand strategy

Industrial Applications:
- Better penetration of own fleet
- Increasing Oil & Gas service volume
- Stronger local presence and acquisitions

Instrumentation and Controls:
- Lifetime support solutions
Leveraging broad product and service capabilities of Siemens One within the Oil & Gas industry

Total accessible Oil & Gas market for Siemens in € billions

- FY 2004: 29
- FY 2010: ~37
  - PG
  - Other Groups (I&S, A&D and PTD)

 Indexed

+ 5% p.a.

Total Siemens orders in Oil & Gas

- FY 2004: 100
- FY 2010: 190
  - PG
  - Other Groups (I&S, A&D and PTD)

Indexed

+ 11% p.a.

Examples of growth segments within Oil & Gas:
- All Electric LNG*
- Gas to Liquid
- Compressor stations

Siemens competencies:
- Gas and steam turbine gensets, gas and steam turbines as drives, compressors (PG), switchgear, transformers, power automation (PTD), electric drives, Instrumentation & Controls (A&D)
- Project management, engineering, construction, commissioning and service from one supplier (solution provider)

Customer benefits through Siemens One:
- Technology competencies along all electrical and rotating key components
- Increasing plant availability

Increasing customer value due to combination of Siemens’ strengths and experience in electrical and rotating equipment

* LNG = Liquefied Natural Gas
Innovations to enter new target markets (Examples)

<table>
<thead>
<tr>
<th>New target markets</th>
<th>Innovations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Oil &amp; Gas:</strong></td>
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<tr>
<td>- Sub-sea compression is a key element for sub-sea Oil &amp; Gas production</td>
<td></td>
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<tr>
<td></td>
<td>- Sole possibility for production in arctic or harsh environment</td>
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<tr>
<td></td>
<td>- Potential for cost reduction for existing off-shore oil fields</td>
</tr>
<tr>
<td><strong>Compressor for sub-sea applications</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Cooperation agreement with FMC Technologies</td>
</tr>
<tr>
<td></td>
<td>- Installation at depth of up to 3,000 meters</td>
</tr>
<tr>
<td></td>
<td>- Operation for at least five years without maintenance</td>
</tr>
<tr>
<td></td>
<td>- Joint development with Oil &amp; Gas majors</td>
</tr>
</tbody>
</table>

**Fossil Power Generation:**

- IGCC* has the potential to be the most innovative and economical CO₂ free coal power plant solution

- **IGCC technology for highly efficient and clean power generation**

  **Process 1**
  - Highly efficient and clean (low NOₓ, SO₂, particulates, Mercury)
  - Invest. costs: 1,300 €/kW
  - Efficiency: ~ 47%

  **Process 2**
  - CO₂ capture and storage
  - CO shift, CO₂ separation
  - Invest. costs: 1,100 €/kW
  - Efficiency: ~ 54%

  **Today**
  - Invest. costs: 2,000 €/kW
  - Efficiency: ~ 48%

  *IGCC=Integrated Gasification Combined Cycle*
Innovations will ensure future growth of our core businesses (Examples)

<table>
<thead>
<tr>
<th>Core Business</th>
<th>Innovations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fossil Power Generation:</strong></td>
<td><strong>Worldwide largest gas turbine</strong> SGT5-8000H</td>
</tr>
<tr>
<td>• Large gas turbines &amp; CCPP</td>
<td>• Gas turbine SGT5-8000H</td>
</tr>
<tr>
<td></td>
<td>• Fuel Gas, Oil</td>
</tr>
<tr>
<td></td>
<td>• Output 340 MW</td>
</tr>
<tr>
<td></td>
<td>• Efficiency 39%</td>
</tr>
<tr>
<td></td>
<td><strong>Combined cycle SCC5-8000H</strong></td>
</tr>
<tr>
<td></td>
<td>• Output 530 MW</td>
</tr>
<tr>
<td></td>
<td>• Efficiency 60%</td>
</tr>
<tr>
<td><strong>Wind Power:</strong></td>
<td><strong>2.3 MW Mk II wind turbine for low &amp; medium wind speed sites</strong></td>
</tr>
<tr>
<td>• Cover low &amp; medium speed wind market</td>
<td>• Swept area 6800m²</td>
</tr>
<tr>
<td></td>
<td>• 8,800 MWh annual output at 8 m/s</td>
</tr>
<tr>
<td>• Improving capabilities in offering on- and off-shore wind parks</td>
<td><strong>Successful introduction of 3.6 MW wind turbine</strong></td>
</tr>
<tr>
<td></td>
<td>• Swept Area 9000m²</td>
</tr>
<tr>
<td></td>
<td>• 12,700 MWh annual output at 8 m/s</td>
</tr>
<tr>
<td></td>
<td><strong>Enhancement of turnkey capabilities for on- and off-shore wind parks</strong></td>
</tr>
</tbody>
</table>
Established initiatives ensure improvements in performance and cost position

- **Fossil Power Generation:** Harmonization of gas turbine families (Siemens, Westinghouse) resulting in reduction of complexity, cost reduction in engineering, purchasing and service

- **Industrial Applications:** Harmonization of gas turbine families from former Alstom Industrial Turbine acquisition
  
  Apply “Best of Best” within small steam turbines and drive localization for better cost position

- **Exploit synergies between Fossil Power Generation and Industrial Applications as increasing compressor capacity within Oil & Gas demands larger gas turbines as drives**

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**Value Generation Program (VGP) savings:**

<table>
<thead>
<tr>
<th>Additional VGP benefits</th>
<th>Optimization &amp; globalization of manufacturing network</th>
<th>Reduction of Q-issues</th>
<th>Re-sizing overhead</th>
<th>Product savings / performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY 2005</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>&gt; 1,500</strong></td>
</tr>
</tbody>
</table>

**VGP already achieved**

<table>
<thead>
<tr>
<th>FY 2005</th>
<th><strong>1,000</strong></th>
</tr>
</thead>
</table>

Regional growth:
PG is a leading player in the Near and Middle East

Key facts about our recent success:
Shubaibah Project, Saudi Arabia

- Power Plant for **900 MW** export of power: 3 units with Arabian Light Crude oil fired boilers; Back-pressure steam turbines
- Desalination Plant with **880,000 m³/day export (194 MIGD)** of water using Multi Stage Flash Desalination Technology (12 units)
- Largest new build IPP-project/IWPP in GCC states
- Provision of water for Makkah, Jeddah, Taif and Al-Baha and electricity to the Western province of Saudi Arabia

Recently awarded IPP-projects & IWPP in the GCC Area

- **Bahrain**
  - El Ezzel I;
  - 2,000 MW Power; 100 MIGD
- **Qatar**
  - Ras Laffan B IWPP
  - 750 MW Power; 50 MIGD
- **UAE**
  - New Taweelah B Ext. IWPP
    - 1000 MW Power; 65 MIGD
  - Shuweihat S1 IWPP;
    - 1,500 MW Power; 100 MIGD
- **Oman**
  - Sohar IWPP (Doosan)
    - with Siemens gas turbines
    - 500 MW Power; 33 MIGD

- Siemens’ market share for power part in IWPP-Market averages ~45% (1999-2005)
- Increasing importance of integrated water and power projects
- Some uncertainties in the regional market must be considered:
  - Still fragile state of the global economy
  - Volatility of oil and gas prices
  - Growing environmental considerations
Regional growth: PG is well positioned to participate in China’s future power generation market

**PG’s set up in China:**

- Siemens PG activities in China are handled by Siemens Ltd., China including **8 joint ventures** (Siemens share in percentage):
  - Shanghai Turbine Co. (32%)
  - Shanghai Turbine Generator Co. (40%)
  - Shanghai Power Equipment Co. (30%)
  - Shanghai Advanced Power Projects Co. (35%)
  - Siemens Power Plant Automation Ltd (60%)
  - Long Wei (50%)
  - Siemens Gas Turbine Parts Ltd. (51%)
  - Siemens Industrial Turbomachinery Co. Ltd. (70%)

- Siemens PG with more than 7,200 employees in 16 locations (incl. joint ventures)
- Siemens PG participates through joint ventures in projects for all power plant types
- Siemens PG installed **22 power plants** during the last decade with more than **23 GW generating** capacity
- Over 400 Siemens industrial turbines and compressors have been installed in China
- So far more than **80 power plants** in China have adopted Siemens I&C System or Equipment

**Legend:**
- Head Office
- Sales & Service
- R&D Centering
- Power Plant
Regional growth: PG has a strong footprint within India’s “Fossil” and “Industrial Applications”

Siemens Fossil power plants in operation/ construction:

- Dadri 817 MW CCPP
- Paguthan 655 MW CCPP
- Sugen 1,100 MW CCPP
- Trombay 500 MW ST and 200 MW CCPP
- Uran 900 MW CCPP

PG’s activities and successes in India:

**Fossil Power Generation:**
- 35% of installed capacity of fossil power plants in India are based on Siemens turbine technology (own & BHEL licensee)
- Siemens has been successful in acquiring the 1,100 MW Sugen CCPP project being setup by the Torrent group.
- Siemens Power Engineering Pvt. Ltd. (SPEL): local engineering base for global power plant business

**Industrial Application:**
- Siemens India acquired the industrial steam turbine factory of Alstom Industrial Turbines
- Siemens India also acquired 51% share in an industrial gas turbine service facility to enhance service capability
- Over 400 Siemens industrial steam/gas turbines with a capacity of 3,200 MW have been installed in India
- More than 140 Siemens compressors operating in India
Investment in Power Machines as a door opener to the important Russian power generation market

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**Key facts about our recent investment in Power Machines**

**Investment in Power Machines:**
- Siemens acquired 20.62% in Power Machines from major shareholder Interros
- Siemens is now shareholder with 25% plus one share

**Key facts about Power Machines:**
- Engineering & Manufacturing for gas turbines, steam turbines and generators
- Power plants installed in 87 countries
- Sales of US$ 662 mn in FY2004
- Employees: 13,000

**Power Machines’ shareholder structure after Siemens’ rising investment**

**Reasons for investing in Power Machines**

- **Low-cost Manufacturing:**
  - Manufacturing capacities in Russia
  - Specialist in STPP

- **Service opportunities:**
  - Large operating fleet with 162 GW (mainly STPP)
    - ~ 10% of worldwide operating STPP
    - Large operating fleet of steam turbines for NPP (8 GW operating)
  - Power plants in Power Machines’ key countries with high service potential as environmental compliance will become more important

- **Market Channel:**
  - **Russia:**
    World’s fourth largest power market to be privatized and liberalized in the next years
  - **Eastern Europe and CIS:**
    Power machines well established especially in Ukraine, Uzbekistan, Bulgaria and Belarus
  - **India and China:**
    Important future power markets; Power Machines with an installed fleet of 15 GW and further 4 GW ordered
PG’s strategy to strengthen market positions and to maintain profitable growth

- **Strengthen new power plant business**
  - Partnering initiative, selective engagement in turnkey business
  - Develop customer-oriented products and solutions (e.g. IGCC, LNG)

- **Expand service business**
  - Better penetration of own fleet and entering non-Siemens fleets
  - Establishing presence in larger service market segments (e.g. “Environmental Compliance”)

- **Increase market share in Oil & Gas business**
  - Leverage customer benefits through Siemens One
  - Development of innovative solutions

- **Secure growth in I&C business**

- **Develop and expand wind business**
  - Complete solutions for on- and off-shore plants along the value chain with A&D and PTD
  - Innovative products

- **Regional growth initiatives**
The future energy landscape will be environmental-friendly and integrated.
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