Power Transmission and Distribution
A Solid Foundation for Profitable Growth

Udo Niehage, Group President

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Comprehensive Portfolio

**High Voltage**
Components, switchgear and turnkey projects for power transmission > 52kV (AC and DC)

**Transformers**
Power transformers up to 1,300MVA and 765kV, distribution transformers with oil or cast-resin insulation

**Medium Voltage**
Components, switchgear and turnkey projects for power transmission ≤ 52kV (AC and DC)

**Energy Automation**
Integrated control systems, protection and substation automation, telecontrol systems, power quality

**Services**
Network planning & consulting, maintenance management for grids & networks, metering services

Complete T&D portfolio with best-in-class products and solutions
Global Presence

Well-balanced global engineering, manufacturing and sales setup

As of September 30, 2005
At a glance

12 months rolling business volume

Key Financials

<table>
<thead>
<tr>
<th></th>
<th>FY 2004</th>
<th>FY 2005</th>
<th>Q1-2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Orders</td>
<td>3.9</td>
<td>5.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Sales</td>
<td>3.6</td>
<td>4.3</td>
<td>1.5</td>
</tr>
<tr>
<td>Group profit</td>
<td>0.2</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>as percentage of sales</td>
<td>6.6%</td>
<td>5.0%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Employees</td>
<td>19</td>
<td>26</td>
<td>26</td>
</tr>
</tbody>
</table>

Strong growth of all Divisions; sixth consecutive quarterly order intake record; first quarter FY 2006 Orders +72%* compared to Q1 FY 2005

Group profit since FY 2003 in line with target margin range

Transformer restructuring and integration of VATech T&D well under way

* excluding currency translation and portfolio effects
Strategic Focus
Portfolio Management

Complement portfolio

<table>
<thead>
<tr>
<th>Product</th>
<th>PTD</th>
<th>VATech T&amp;D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformers</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td>Circuit Breakers</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td>Disconnectors</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td>Surge Arresters</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td>HV Instr. Transformers</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Air Core Reactors</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Line Traps (PLC)</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>Bushings</td>
<td>-</td>
<td>✓</td>
</tr>
</tbody>
</table>

Strengthen competencies

Power Technologies International (Services)

- World market leader in
  - network consulting
  - network planning software

Market coverage, global setup

VA Tech T&D

Network and close to the customer

Various setups / Greenfield investments in China and India
Strategic Focus
Innovation

New Trendsetting Technologies
- HVDC Transmission
  - HVDC and FACTS for bulk power transmission up to 800kV DC
- Energy Automation
  - First supplier with complete range of protection and automation equipment with new communication standard IEC 61850

Portfolio Optimization – Platform strategies
- Pace setting in all business areas

New Markets / Solutions
- Renewable, Industry solutions (Chemical, Automotive, Oil & Gas)

Through continuous R&D-activities and portfolio management
PTD is and will be the preferred T&D-supplier

Medium Power Transformers
- New design for material cost reduction (-20%)

High Voltage Switchgear
- From today 27 product lines to 6 in future

Medium Voltage
- New circuit breaker SION: flexible adaptation to customer needs (48 h delivery time for OEMs)

Renewable Energies
- Providing enabling technology for coupling renewable energy sources (e.g. wind parks; solar farms)

Oil & Gas
- Our distribution network coupler SIPLINK is applied in new areas such as industrial plants, ship wharfs and oil rigs
Strategic Focus
Global Competitiveness

"Old"

Sao Paulo
Queretaro
Berlin
Shanghai
Hangzhou
Aurangabad

"New"

Sao Paulo
Queretaro
Hangzhou
Shanghai

Example: High Voltage Circuit Breaker

Prod. Cost
Germany
Prod. Cost
China

2003
2007 w/o measures
2007 with measures
2003
2007 with measures

Optimized factory utilization and sourcing on a world wide basis leads to a better cost position and higher profitability in domestic and international businesses.

In line with the transformation process operations are getting closer to the customer / local markets and needs.

A balanced network of tomorrow leads to competitive advantages such as bundling of international R&D competencies, efficient global sourcing and business risk minimization.

Transformation is the key lever to secure future competitiveness; successful transformation goes in line with people excellence.
Strategic Focus
PM@Siemens

PTD with its 16 Centers of Competence (CoC)

Continuous tracking of project results

Implementation of standardized Project Management PM@Siemens in all significant Centers of Competences is nearly completed.

Integration of former VATech T&D CoCs is planned to be finalized by end of FY 2006.

Reliable processes and improved profitability through implementation of PM@Siemens.
PTD’s Competition and Market Share

<table>
<thead>
<tr>
<th>Company</th>
<th>2003</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABB</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>SIEMENS</td>
<td>17%</td>
<td>11%</td>
</tr>
<tr>
<td>VATech</td>
<td>10%</td>
<td>3%</td>
</tr>
<tr>
<td>AREVA</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Schneider Electric</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>TOSHIBA</td>
<td>3%</td>
<td>3%</td>
</tr>
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Siemens data with anticipated full FY VATech T&D

With double digit sales growth closing the gap to # 1 and break away from # 3 and followers
Market and Market Characteristics

- **Equipment phase**: Building up reliable and cost-efficient electrical infrastructures
- **Optimization phase**: Optimizing the grids for power quality and power-flow efficiency
- **Replacement phase**: Developing in a new competitive environment

**Market size & growth**
- €20 bn (6% growth)
- €9 bn (1% growth)
- €10 bn (2% growth)

**Capital Expenditures**

**Time frame**
- 15 - 30 years
- ~10 to 15 years
- ~10 to 15 years

**Example UK (Capex spendings)**

**Deregulation trend**

Global but differentiated market approach and ongoing technology developments are the success factors for continuous and steady growth.

*Source: Boston Consulting Group*
Trends and Market Drivers

Need for more energy

Population growth from more than 6 billion to 8 billion by 2025
- Growth of energy consumption
  ➔ industrial countries + 1.4%
  ➔ emerging countries + 5.2%
- Growing distances between power generation and consumption

Urbanization

- The world’s urban population is estimated at 3 billion in 2003 and is expected to rise to 5 billion by 2030
- Megacities (> 10 million):
  Today: 280 million people
  2015: 350 million people

Efficient, reliable and secure supply of electrical energy are the key drivers of our business
Our products and solutions offer answers to global challenges

<table>
<thead>
<tr>
<th>Transmission</th>
<th>Distribution</th>
<th>Energy Automation</th>
<th>Services</th>
</tr>
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<tbody>
<tr>
<td>HVDC project Gui Guang I</td>
<td>Grid Rehabilitation</td>
<td>Homogeneous Solution Portfolio</td>
<td>Network Planning &amp; Services</td>
</tr>
<tr>
<td>Bulk power transmission (3,000 MW) over 940km to megacity Guangzhou, China</td>
<td>Modernization of more than 2,000 distribution substations in Hong Kong</td>
<td>IEC 61850</td>
<td>World market leader in network planning software (PSS, NETOMAC) and application</td>
</tr>
</tbody>
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**Pace Setting**
Technology trendsetter ahead of competition in applying communication standard **IEC61850**

Coverage of existing and future challenges for more efficient, reliable and secure power transmission and distribution
PTD in India

Key figures

- 7 sales Offices
- 3 factories, 1 CoC
  - Medium Voltage, Kalwa / Mumbai
  - High Voltage, Aurangabad
  - Transformers, Kalwa (under construction)
- Number of employees > 700
- Overall investment > €50 million

Summary

- India power market with double digit growth in coming years due to high investments in T&D grid
- PTD covers the full scope of market demand with local manufacturing and competitive designs
- PM competencies in engineering, procurement and construction for growth in domestic and export markets

With local manufacturing and developed engineering competencies, PTD will take full advantage of India’s demanding T&D market
PTD in China

**Key figures**
- 23 sales Offices
- 2 R&D Centers
- 12 factories (High and Medium Voltage, Energy Automation and Transformers), 2 CoCs
- Number of employees >3,000
- Overall investment until 2005 > €100 million

**Market**
- Chinese T&D market growth approx. 9% p. a. over the next years
- Grid extension into 1,000kV AC and +/- 800kV DC for efficient long distance transmission
- Megacities with high load density
- Ongoing investments in Industry, e.g. Chemical, Automotive and Oil & Gas

For 15 years now, PTD is one of the leading players in the Chinese T&D market
Our Mission

Solid foundation for profitable growth!

Employees

Customers

Market

3xNo1

Solid foundation for profitable growth!
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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