Acquisition of UGS

Creating the world’s first supplier of software and hardware across the complete product & production life cycle

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Acquisition of UGS will strengthen the profit engine of Siemens A&D - Factory Automation

Factory Automation

#1 Profit Engine

Revenue Growth*: 9%
Market: €49 billion

Process Automation

#3 Growth Engine

Revenue Growth*: 14%
Market: €40 billion

Electrical Equipment for Buildings

#2 Balanced Business

Revenue Growth*: 5%
Market: €22 billion

* Average annual revenue growth FY1998 - FY2006
Market development: Mechanical and control design will converge within the next 10 years

Today

Mid-term

Long-term >10 yrs.

Customers benefit from large potential for productivity by integration of mechanical and control design
PLM software comprises three sets of applications: CAx, cPDM and Digital Factory

<table>
<thead>
<tr>
<th>Product category</th>
<th>Purpose</th>
<th>Examples</th>
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</table>
| CAx              | Creation of 3D geometries, product design and product data | ![CAx Examples](image1)
|                  | Simulation of physical characteristics (e.g., finite elements) | ![CAx Examples](image2)
|                  | Simulation of manufacturing and data preparation for product-specific manufacturing | ![CAx Examples](image3) |
| cPDM             | Storage, administration and retrieval of product and production data throughout the entire product lifecycle and across the (extended) enterprise. Facilitation of engineering processes. | ![cPDM Examples](image4) |
| Digital Factory  | Planning and Simulation of the entire manufacturing processes | ![Digital Factory Examples](image5) |
The PLM software market offers attractive growth rates with high profitability

**PLM software market**

- Overall PLM software market growth very attractive: CAGR ~7-9%
- cPDM solutions (~CAGR 11%)
- Digital Factory (~CAGR 20%)
- All major players highly profitable
- High share of recurring revenue streams (maintenance business)
- Large installed base

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(1) Software market includes software licenses and maintenance, total market incl. services ~ US$ 13bn
(2) Includes CAM revenue (3) 2005 / Sources: CIM data; ARC; UGS and Siemens A&D analysis
UGS Corp. – a leading global player in PLM software industry

Revenue (in US$ millions)

- **2004**: 978 (18.0%)
- **2005**: 1,155 (20.9%)
- **2006 Q1-Q3**: 866 (21.5%)

Revenue by Region

- **EMEA**: 38%
- **America**: 42% (40% US, 2% other)
- **Asia**: 20% (10% Japan, 10% other)

Market Position

- **#2 Digital Factory**: 31%
- **#1 cPDM**: 14%
- **#2 Computer Aided x**: 18%

- Worldwide workforce >7,000
- Operating in 62 countries
- 47,000 customers worldwide
- 4.3 million licensed seats
- 13 consecutive quarters of profitable y-o-y growth
## Unique value proposition drives unmatched customer benefits

<table>
<thead>
<tr>
<th>Value Proposition</th>
<th>Customer Benefits</th>
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<tbody>
<tr>
<td>- First fully integrated solution provider for integrated software and hardware</td>
<td>- Higher productivity along all steps of product / production</td>
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<tr>
<td>across the complete lifecycle of products</td>
<td>engineering</td>
</tr>
<tr>
<td>- Leading market positions / best-in-class technology in PLM and automation</td>
<td>- Shorter time-to-market via simulation and faster production</td>
</tr>
<tr>
<td>- Leading combination of product design, production and automation know-how</td>
<td>ramp-up</td>
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<tr>
<td>- Solutions based on open interfaces to support multi-vendor installations</td>
<td>- Enhanced product quality due to data consistency in engineering</td>
</tr>
<tr>
<td></td>
<td>process</td>
</tr>
<tr>
<td></td>
<td>- More flexible production resulting in shorter delivery time</td>
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Providing new levels of efficiency to Siemens A&D customers
Significant Shareholder Value Creation

- **Attractive Market:** CAGR ~ +7-9%, all major players highly profitable
- **Strategic Fit:** UGS nicely complements A&D factory automation portfolio
- **High growth and high performance company UGS:**
  - 13 consecutive quarters of y-o-y revenue growth
  - achieved double-digit EBITDA margin
  - high strong cash flow generation
- **UGS acquisition profit margin* accretive for A&D** from FY2008 onwards
  (excluding effects from purchase accounting and one-time expenses)

Sustained Value enhancement through trendsetting innovation

*Group Profit from Operations / Revenue*
Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>CAD</td>
<td>Computer Aided Design</td>
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<tr>
<td>CAE</td>
<td>Computer Aided Engineering</td>
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<td>CAGR</td>
<td>Compounded Annual Growth Rate</td>
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<tr>
<td>CAM</td>
<td>Computer Aided Manufacturing</td>
</tr>
<tr>
<td>CAx</td>
<td>CAD + CAE + CAM</td>
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<tr>
<td>cPDM</td>
<td>Collaborative Product Data Management</td>
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<td>ERP</td>
<td>Enterprise Resource Planning</td>
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<tr>
<td>HMI</td>
<td>Human Machine Interface</td>
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<tr>
<td>HW</td>
<td>Hardware</td>
</tr>
<tr>
<td>MES</td>
<td>Manufacturing Execution System</td>
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<tr>
<td>PDM</td>
<td>Product Data Management</td>
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<tr>
<td>PLC</td>
<td>Programmable Logic Control</td>
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<tr>
<td>PLM</td>
<td>Product Lifecycle Management</td>
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<tr>
<td>SW</td>
<td>Software</td>
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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 Publications/Quarterly Reports, FY2007Q1, 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, 2006 was € 1,131 million.

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 banking standards. 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 operations 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, whereas a negative EVA means that a business has earned less than its cost of capital. Depending on the EVA development year-over-year, a business is defined as value-creating or value-destroying. Other organizations that use EVA may define and calculate EVA differently.
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