Siemens A&D
Success story in China

Peter Herweck, GM of A&D SLC

Analyst and Investor Tour
CHINA
March 14, 2005
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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.
Siemens A&D, success story in China

Overview A&D

Market

Facts & Figures

Business Opportunities

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CHINA
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XKA714 Milling Machine BJ No.1 MTW, 802D

Three Gorges Ship-lock Control System

Shanghai Zhenhua Port Machinery Co., Ltd.
A&D – Business environment

<table>
<thead>
<tr>
<th>A&amp;D business activities</th>
<th>Manufacturing Automation</th>
<th>Process Automation</th>
<th>Electrical Installation for Buildings</th>
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<tbody>
<tr>
<td>Market*: 47 billion EUR 50%</td>
<td>Market*: 28 billion EUR 30%</td>
<td>Market*: 19 billion EUR 20%</td>
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A&D is world leader in all fields of automation for applications in industry and infrastructure

*) 2003

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China Economy – Growth rates by industries

Total Growth rate 1995 to 2004 (in %)

Growth rate 2003 to 2004 (in %)

- Energy and Electronic sector show the strongest growth in the last 9 years
- Strongly increasing importance of general purpose Machinery in 2004
China- Automation Market Overview


Market Size: ~46 bn RMB

- Manufacturing Automation: 55%
- Electrical Installation for Buildings: 25%
- Process Automation: 20%
### Regional Market Model - Market distribution by provinces

#### Market 2003 by Sales Regions and Provinces – A&D Total – China (in bn RMB)

<table>
<thead>
<tr>
<th>Market by Sales Regions</th>
<th>Market by Provinces</th>
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<tr>
<td><strong>Northeast</strong></td>
<td>Inner Mongolia</td>
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<td>Liaoning</td>
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<td>Jilin</td>
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<td>Heilongjiang</td>
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<td>Yunnan</td>
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<td>Qinghai</td>
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### Facts & Figures

- **Market Overview**
- **Business Opportunities**

### Analyst and Investor Tour

**CHINA**

**March 2005**
Regional Market Model – Market Focus of Provinces

A&D Market size =

Manufacture Industries

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March 2005
Market Intelligence – The clear picture will allow us to set clear goals

A&D Market in China

Top-down

- A&D Market share
- A&D customer allocated to sales person
- all other customers

Bottom-up

Customer Relationship Management Database with detailed customer knowledge

Overview A&D

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We are No.1 in the Chinese Automation Market (2003)

The Chinese Automation Market is still very fragmented

Overview A&D
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Analyst and Investor Tour
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Facts & Figures

7 Operating Companies – Local Competence

- **SCPS** - Siemens Circuit Protection Systems Ltd. in Shanghai
- **SEAL** - Siemens Electrical Apparatus Ltd. in Suzhou
- **SEDL** - Siemens Electrical Drives Ltd. in Tianjin
- **SFAE** - Siemens Factory Automation Engineering Ltd. in Beijing
- **SIAS** - Siemens Industrial Automation Ltd. in Shanghai
- **SNC** - Siemens Numerical Control Ltd. in Nanjing
- **ZSB** - Zhenjiang Siemens Busbar Trunking Systems Co. Ltd.

- More than 2,100* employees in Operating Companies
- Local production
- Local Research & Development
- Design, Engineering Solutions, Testing, Training & Service

* FY 03/04
### Manufacturing in A&D’s Operating Companies in China

<table>
<thead>
<tr>
<th>Company</th>
<th>Products/Events</th>
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<tbody>
<tr>
<td>SEAL</td>
<td>WFOE (July 2001)</td>
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<tr>
<td>SIAS</td>
<td>PI Production (Oct 2004)</td>
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</tbody>
</table>
The extension of the SNC building (4500 sqm) was finalized in October 2004

- **Location:** Nanjing
- **Established:** 1996
- **Covering area:** 34,000 sqm
- **Production area:** 8,200 sqm

Main products / product families:
- SINUMERIK 802 S/C
- SINUMERIK 802 D / D
- SIMATIC S7-200/300
- LOGO!
SEDL II: Plan to set up of brand new site based on a 3-phase approach until 2007

- **Location:** Tianjin
- **Established:** 1995
- **Covering area:** 120,000 sqm
- **Production area:** 55,000 sqm

**Main products / product families:**
- DC Chassis & Cubicles SIMOREG
- AC Chassis & Cubicles SIMOVERT Master Drives
- SIMOVERT Micro Master 4
- Medium Voltage Converters SIMOVERT MV
- AC Motors
The extension of the SEAL building (14,000 sqm) was finalized in October 2004

Location: Suzhou
Established: 1994
Covering area: 86,000 sqm
Production area: 26,000 sqm

Main products / product families:
- 3TH Contactor Relay / 3TF/3TB Contactor
- 3TD Contactor Combination
- 3UA Overload Relay
- 3WN / 3WL / 3WT ACB Circuit Breaker
- 3VU / 3VF / 3VT MCCB Circuit Breaker
- 3SB Push Button
People, the key to A&D China’s success!

- A&D Leadership Program
  6 batches since 1999 with 90 high potentials
- Team Leader Circle
  11 batches with 215 junior managers
- Siemens Management Learning
  324 participants since 1997
- Commercial training for commercial staff
- A&D Sales training for sales staff
- Application know how and Branch Training 2004
- Special designed Newcomer training
  “Bring People Together” and Mentorship Program

More than half of the 1st line management filled with Chinese staff
Double A&D China Business
*Fast, Balanced and Sustainable*

- Intensify Regionalization
- Expand No.1 position in manufacturing industries
- Focus on Oil & Gas, Automotive, Power and Process Industries
- Breakthrough in CEP (construction electrical products) market
- Establish Logistics Hub China
- Enhance localization in R&D and Manufacturing
- Exceed customer expectations by excellence in applications and services
- Foster a world-class A&D team
Thank you for your attention!

Analyst conference
March, 2005
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, 2004 was €1.015 billion. 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
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