

# **Siemens Financial Services**

## **- Financial expertise for profitable use**

Investor meeting,  
Dr. Herbert Lohneiß, CEO  
Munich, September 18, 2006

## Safe Harbour Statement

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](http://www.siemens.com) and on the SEC’s website, [www.sec.gov](http://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.

## Agenda

- 1. Siemens Financial Services at a glance**
  - SFS expertise
  - Global presence
  - Development of SFS since its foundation
  - Key financials
- 2. Business portfolio SFS and strategic focus**
  - Business portfolio
  - Group strategy
- 3. SFS financial disclosure and capital structure**
  - SFS as part of Siemens
  - SFS in Siemens SOTP

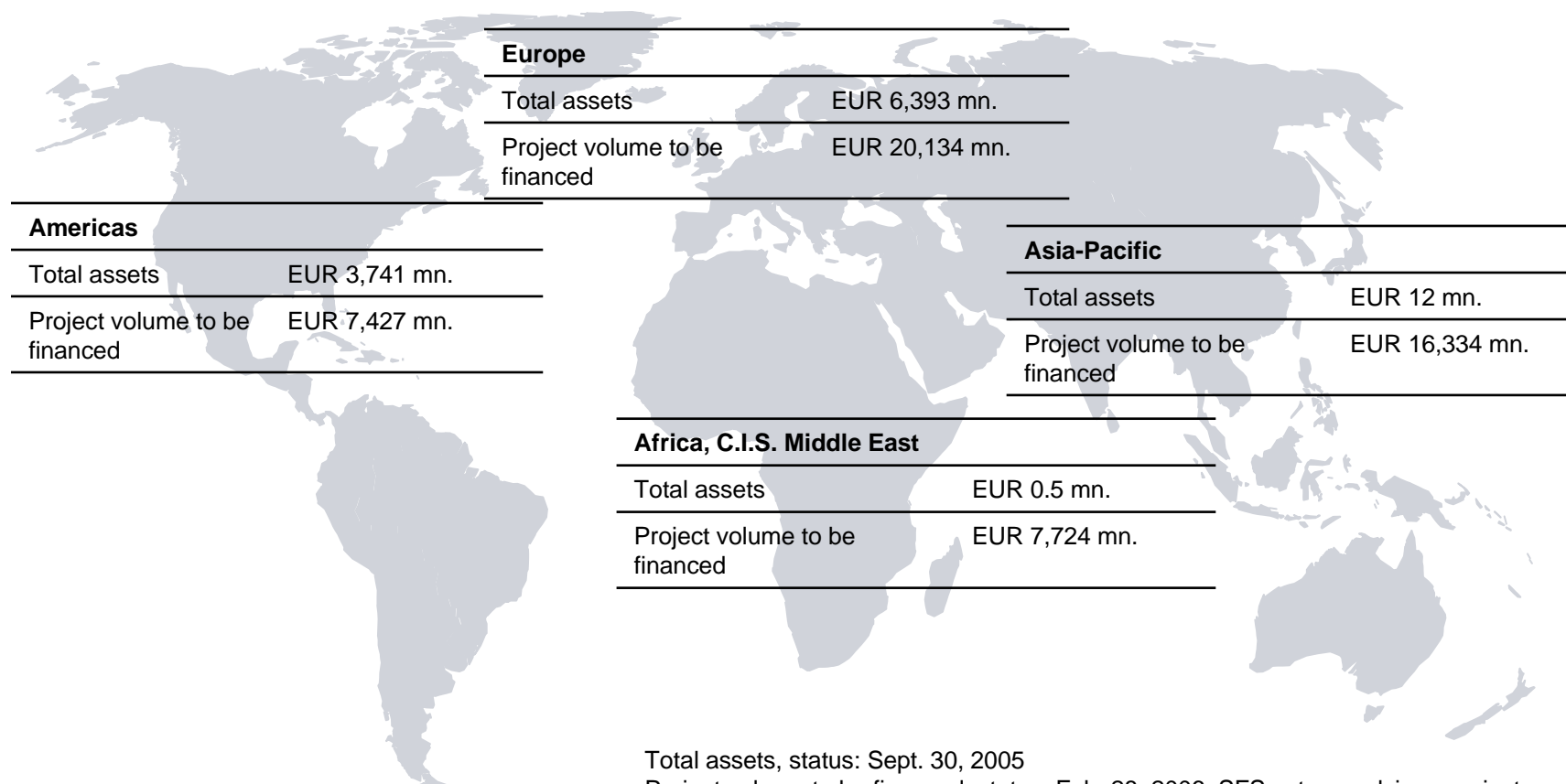
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## SFS expertise

- SFS is a captive provider of financial solutions:
  - Combination of international financial expertise and comprehensive technology & industry know-how
  - Financial solutions geared towards the requirements of Siemens and of industrial companies
  - Center of competence for financial services and financial risk management for Siemens; manage financial assets like a bank in line with the best benchmarks in the financial industries
- SFS is positioned internationally with a strong presence throughout Europe and North America
- SFS offers capital (leasing and receivables financing and equity investments in infrastructure projects) and fee business solutions (project and export finance, pension asset management and consulting, insurance brokerage for industrial clients and Siemens employees and treasury services)
- Most of fee business is generated internally and most of capital business is generated with external customers

1.

## Global presence and distribution of business volume



Total assets, status: Sept. 30, 2005  
 Project volume to be financed, status: Feb. 28, 2006; SFS acts as advisor; project volume includes total volume of requested financing for projects of all Siemens Groups

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## Development of SFS since its Foundation

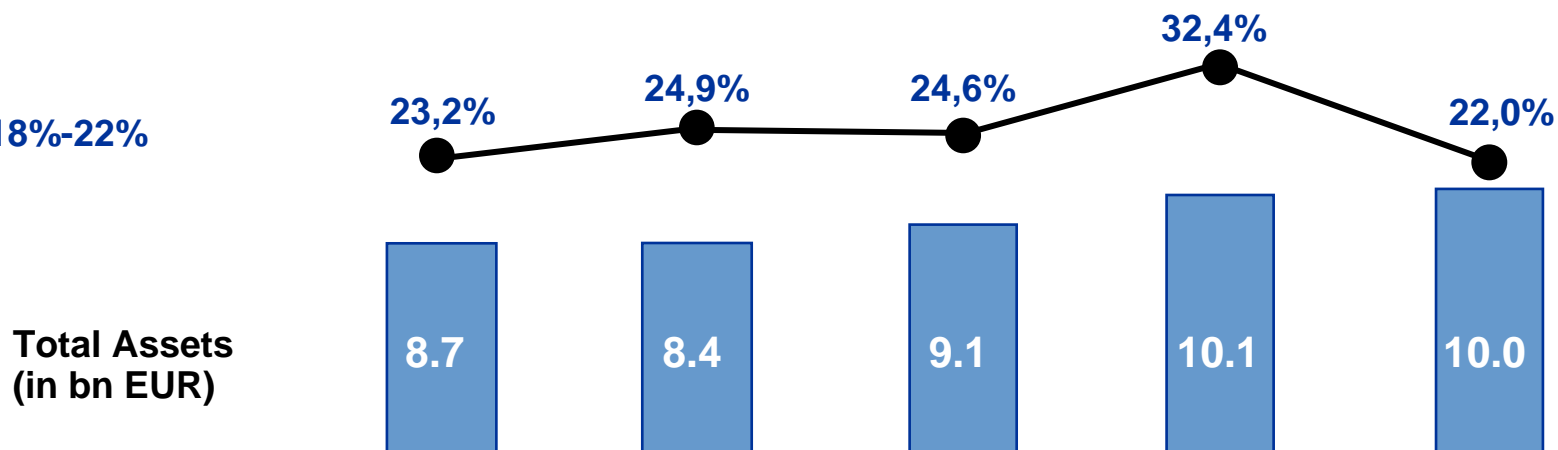


<p><b>Market</b></p>	<ul style="list-style-type: none"> <li>• Economic boom phase / New Economy</li> <li>• E-business hype</li> <li>• Rising stock markets</li> </ul>	<ul style="list-style-type: none"> <li>• Trough of economic downturn in Q2/2003 in Europe</li> <li>• Lacking consumption and capital investments</li> <li>• Precipitated decline of interest rates</li> <li>• Heavy and unexpected decline of stock markets</li> </ul>	<ul style="list-style-type: none"> <li>• Worldwide economic recovery</li> <li>• Capital investments increase again</li> <li>• Rising share prices</li> <li>• Interest rates remain low</li> </ul>
<p><b>SFS</b></p>	<ul style="list-style-type: none"> <li>• Foundation of SFS as a separate Siemens Group in 1997</li> <li>• Acquisition of Schroder Leasing in 2000</li> <li>• Integration of Insurance business in 2000</li> <li>• High growth expectations</li> </ul>	<ul style="list-style-type: none"> <li>• Best-practice risk management established</li> <li>• Process costs reduced</li> <li>• IT platforms launched</li> <li>• Regional presence optimized</li> <li>• IBIT increased due to favorable business mix</li> </ul>	<ul style="list-style-type: none"> <li>• Turnaround in asset growth in 2004</li> <li>• Growth comes back in captive and external business</li> <li>• Leasing and Factoring grow faster than market</li> <li>• Acquisition of Broadcastle plc (small ticket provider focused in healthcare leasing)</li> </ul>

1.

## Development of key financials

RoE b.t.  
Target: 18%-22%



	FY 2002	FY 2003	FY 2004	FY 2005	Q3 2006
<b>IBIT</b>	216 mn.	269 mn.	250 mn.	319 mn.	187 mn.
<b>Equity<sup>1)</sup></b>	930 mn.	1,080 mn.	1,015 mn.	983 mn.	1,131 mn.
<b>RoE<sup>2)</sup> (pretax)</b>	23,2%	24,9%	24,6%	32,4%	22,0%
<b>Total assets</b>	8,681 mn.	8,445 mn.	9,055 mn.	10,148 mn.	10,011 mn.
<b>Employees</b>	1,376	1,469	1,566	1,672	1,747

1) Allocated Equity  
2) RoE: Return on Equity

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2.

# Business portfolio

Capital Business drives the B/S of SFS and contributes 60% IBIT; Fee Business stands for 40% of total IBIT. Following the growth opportunities portfolio will shift towards capital business

	Capital businesses		Fee businesses			
<b>Divisions</b>	<b>Equipment &amp; Sales Financing (ESF)</b>	<b>Equity (EQ)</b>	<b>Project &amp; Export Finance (PEF)</b>	<b>Treasury &amp; Financing Services (TFS)</b>	<b>Investment Management (IM)</b>	<b>Insurance (INS)</b>
<b>Business activities</b>	Leasing & receivables financing  Asset classes: IT, telecommunication, office, medical, machinery	Equity participations in infrastructure projects	Advisory for export and project financing; issuance and administration of guarantees and advice on letters of credit	Inhouse bank for payment transactions, cash management, financing, interest and currency risks	Asset Management & Advisory (Equities, fixed income, real estate) for institutional investors and retail funds	Risk advisory, structuring and brokerage of industrial insurance solutions; Brokerage of insurance contracts and mutual funds for employees
<b>Business origination <sup>1)</sup></b>						
<b>IBIT sources <sup>1)</sup></b>						
<b>Key figures <sup>1)</sup></b>	Total assets EUR 9.6 bn.	Total assets EUR 297 mn.	Project volume EUR 55.3 bn, 600 projects	Total assets under management EUR 47.4 bn.	Managed fund assets EUR 18.3 bn.	Brokered gross premium volume EUR 446 mn
<b>Employees <sup>1)</sup></b>	1,052	17	130	108	63	98

1) As of 30.09.2005



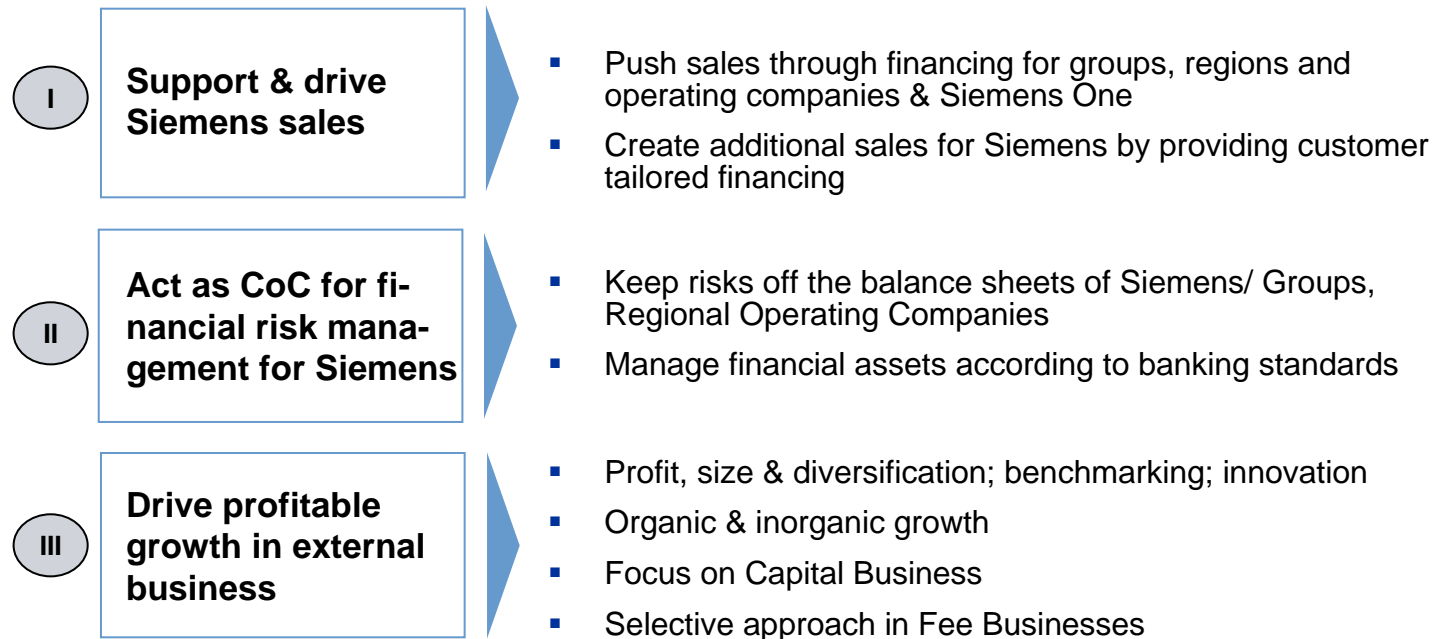
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## Group strategy

To best support the internal business in financing and risk management, SFS has to strengthen its position in the external market. External business moreover contributes significantly to SFS profit and growth targets

**Performance and Portfolio**

Reach target margin of 18-22% RoE Grow >2x GDP



2.

## Support and drive Siemens sales: Financing structure for Uniklinik Frankfurt



### Customer brief:

Develop business model/financial structure for operating a state of the art Siemens Magnetic Resonance Tomograph (MRT) at a total project volume of EUR 2.2 mn., term 72 month, flexibility, third party user

### SFS financial solution:

- Structuring tailor-made flexible usage concept, including comprehensive services
- Structuring made by Siemens Project & Export Finance, contracting realized by Siemens Finance & Leasing, Germany
- Successful all in one solution meeting customer needs



**Uniklinik Frankfurt – J. W. v. Goethe**  
Shareholder Hessen, 1,400 Beds

One of Germany’s leading university clinics

Building extensions make this project to Hessen’s currently biggest construction site



2.

## Support and drive Siemens sales: Equity investment in Tahaddart power plant



### Project:

Equity investment in the power plant of Energie Electrique de Tahaddart in Tangier, Morocco

### Energie Electrique de Tahaddart S.A., Morocco

Construction of a combined cycle power plant in Tahaddart

Capacity of 384 MW

Shareholders: Office National de l'Electricité (ONE) with 48%, Endesa S.A. with 32%, Siemens Project Ventures GmbH (SPV) with 20%

### SFS financial solution:

- Equity investment of 20% of total project costs of USD 280 mn.
- Design, procurement and construction of the plant by Siemens Power Generation (PG); maintenance and operation by PG over 20 years

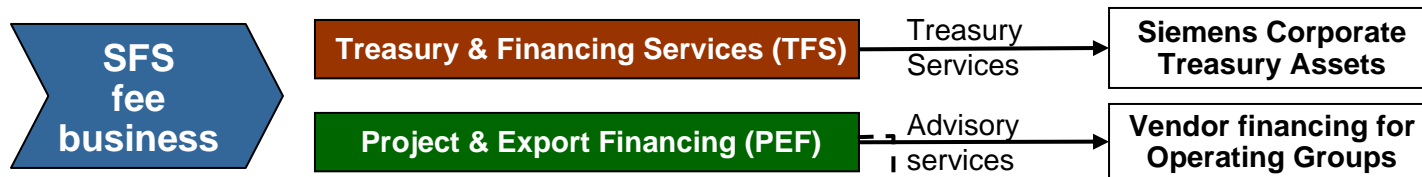


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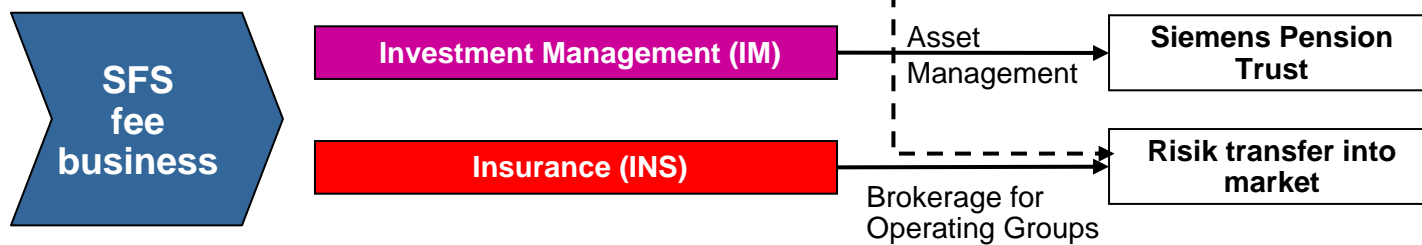
**Act as Center of Competence for financial risk management for Siemens**



**Balance sheets of Corporate Treasury and Operating Groups**



**Off balance sheet for Siemens and outside**



Status: Sep 30, 2005

2.

## Act as Center of Competence for financial risk management for Siemens: Insurance solution for Siemens companies in China



### Customer assignment:

Placement of China-wide insurance programs within dynamic parameters; adaptation of the programs to state-regulated insurance market with regionally highly divergent legal parameters

### SFS financial solution:

- First-time implementation of a China-wide program for liability, transport, property and loss of profits insurance
- Cooperation with locally licensed insurance companies
- Local center of competence for all insurance-related requirements

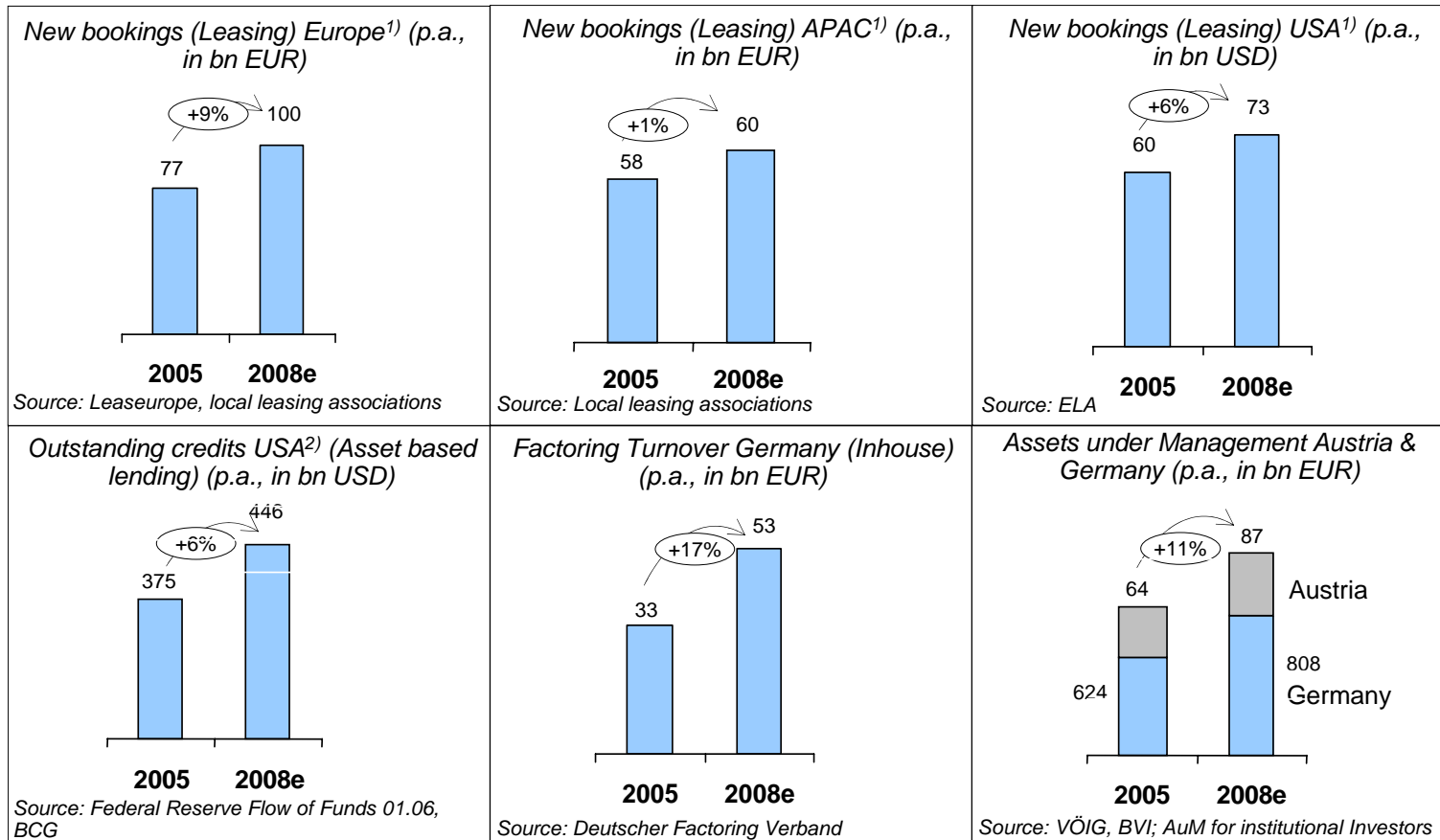
## SIEMENS

All companies in Siemens majority ownership and fully owned Siemens subsidiaries in China



# Drive profitable growth in external business

In its external business, SFS is addressing attractive niches in markets growing > 2x GDP



1) Served equipment leasing market excl. real estate, vehicles and big ticket leasing; European figures include all countries with MMF presence; APAC = China and Japan  
 2) Short term credit generally secured on account receivables and inventory, but may also include fixed assets

## Examples for strengthening external business

- **Strengthening role in Small Ticket Business:**
  - SFS is leading player in flow business in several European markets, e.g. top3 player in UK
  - Successful roll out of flow business into new markets like Germany and Spain
  - Strengthening of role through inorganic growth: Acquisition of Broadcastle plc. in 2005
- **Strengthening external Vendor Business:**
  - SFS won global SAP Vendor Financing Program against 19 competitors; program will be rolled out into 48 countries
- **Strengthening working capital financing in attractive markets:**
  - Push of Structured Programs („ABS-Light“) in growing German market
  - Focus on asset based lending in the US
- **Strengthening attractive niches in Fee Business:**
  - Successful roll out of Innovest Manager of Managers in the German market



2.

## Drive profitable growth in external business: Online leasing solutions for Konica Minolta (Vendor Program)

III

### Customer assignment:

Establishment of an online leasing system for Konica East Direct (e-business solution)

### Konica Minolta Business Solutions East

Konica Business Machines (UK) Ltd is part of the international Konica group.

It is considered a pioneer in photography and world market leader in the information imaging sector.

### SFS financial solution:

- Innovative e-business application “ease-elease”
- Accelerated credit approval process (time and cost)
- Timely accounting
- Faster payment receipt
- Processing of more than 750 transactions with the help of this online application since its introduction



2.

## Drive profitable growth in external business: Receivables financing for LEONI AG

III

### Customer assignment:

- Creation of additional financing alternative within financing mix
- Working-capital and risk-management solution
- Sale of receivables with balance-sheet relief (“true sale”)

### SFS financing solution:

- Revolving in-house factoring program with limited ongoing processing costs
- Integration of two foreign subsidiaries into the ongoing program
- Flexible receivables volumes presentable at the end of each quarter

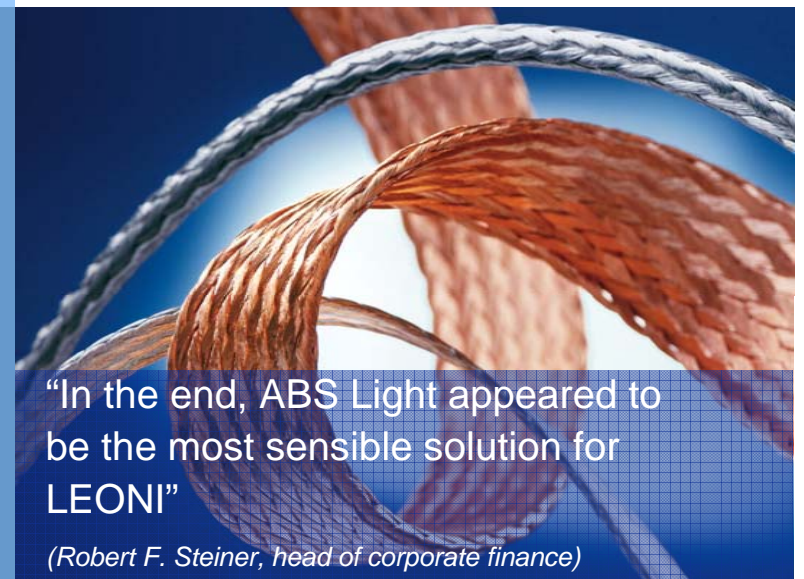
THE QUALITY CONNECTION

# LEONI

Wire • Cable • Wiring Systems

### LEONI AG

- Global supplier of systems and designs for wire/cable (electronic) and cable assemblies (automotive)
- Consolidated sales of EUR 1.5 billion
- 32,000 employees worldwide



“In the end, ABS Light appeared to be the most sensible solution for LEONI”

*(Robert F. Steiner, head of corporate finance)*

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# SFS as part of Siemens: SFS on Siemens AG balance sheet (June 30, 2006)

	Financing and Real Estate		
Assets	6/30/06	9/30/05	
<b>Current Assets</b>			
Cash and cash equivalents	35	47	
Marketable securities	24	17	
<b>1</b> Account receivables, net	<b>3,866</b>	<b>4,370</b>	<b>1</b> Capital leases (current receivables) & internal factoring receivables
Intracompany receivables	46	127	<b>2</b> External factoring & loans
Inventories, net	98	72	
Deferred income taxes	92	82	
Assets held for disposal	-	-	
<b>2</b> Other current assets	<b>1,119</b>	<b>978</b>	<b>3</b> Equity participations
Total current assets	<u>5,280</u>	<u>5,693</u>	
<b>3</b> Long-term investments	<b>320</b>	<b>305</b>	<b>4</b> Operating leases
Goodwill	132	131	
Other intangible assets, net	18	15	
<b>4</b> Property, plant and equipment, net	<b>3,735</b>	<b>3,795</b>	<b>5</b> Capital leases (receivables > 1 year)
Deferred income taxes	37	37	
<b>5</b> Other assets	<b>3,419</b>	<b>3,322</b>	
Other intracompany receivables	1	6	
Total assets	<u>12,942</u>	<u>13,304</u>	
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities</b>			
Short-term debt and current maturities of long-term debt	228	386	
Accounts payable	213	207	
<b>6</b> Intracompany liabilities	<b>6,127</b>	<b>6,864</b>	<b>6</b> SFS short term debt refinanced via Treasury
Accrued liabilities	145	156	
Deferred income taxes	228	210	
Liabilities held for disposal	-	-	
Other current liabilities	304	277	
Total current liabilities	<u>7,245</u>	<u>8,100</u>	
Long-term debt	448	521	
Pension plans and similar commitments	2	-	
Deferred income taxes	166	179	
Other accruals and provisions	362	418	
<b>7</b> Other intracompany liabilities	<b>2,668</b>	<b>2,183</b>	<b>7</b> SFS long term debt refinanced via Treasury
Total liabilities	<u>10,891</u>	<u>11,401</u>	
<b>8</b> Total shareholders' equity	<b>2,051</b>	<b>1,903</b>	<b>8</b> SFS equity
Total liabilities and shareholders' equity	<u>12,942</u>	<u>13,304</u>	

All figures in mn EUR; for nine months ended June 30, 2006 and 2005

## SFS as part of Siemens: SFS on Siemens P&L (June 30, 2006)

	Financing and Real Estate		
	6/30/06	9/30/05	
① Net sales	1,728	1,578	① Income from operating lease receivables & fee income from SFS advisory business
Cost of sales	(1,436)	(1,274)	
Gross profit on sales	292	304	
Research and development expenses	-	-	
Marketing, selling and general administrative expenses	(252)	(234)	
Other operating income (expense), net	123	137	
Income from investments in other companies, net	43	89	
Income (expense) from financial assets and marketable securities, net	(32)	(27)	
Interest expense of Operations, net	-	-	
② Other interest income (expense), net	105	114	② SFS net interest income, mainly from capital leases & factoring
Income from continuing operations before income taxes	279	383	
Income taxes <sup>1)</sup>	(68)	(87)	
Minority interest	-	-	
Income from continuing operations	211	296	
Income (loss) from discontinued operations, net of income taxes	-	3	
Net income	211	299	

(1) The income taxes of Financing and Real Estate are based on the consolidated effective corporate tax rate applied to income before income taxes

All figures in mn EUR; for nine months ended June 30, 2006 and 2005

3.

## SFS in Siemens SOTP: Methodology

SAG operating groups enterprise value

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+ SFS equity value

+ SFS net debt

= SFS enterprise value

+/- .....

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= SAG enterprise value

+/- SAG net debt, including SFS

+/- pension obligations etc.

+/- .....

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= SAG equity value

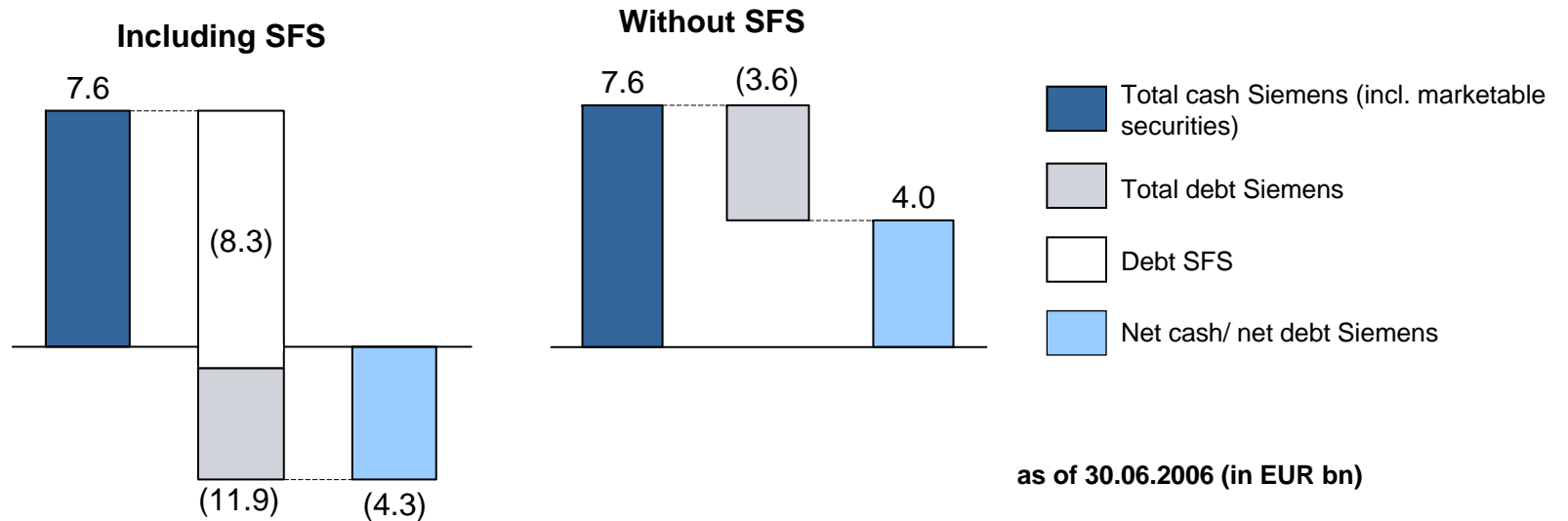
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**SFS in Siemens SOTP:  
Equity value and Siemens net debt**

Equity  
value

Mostly book or profit before tax multiples are used

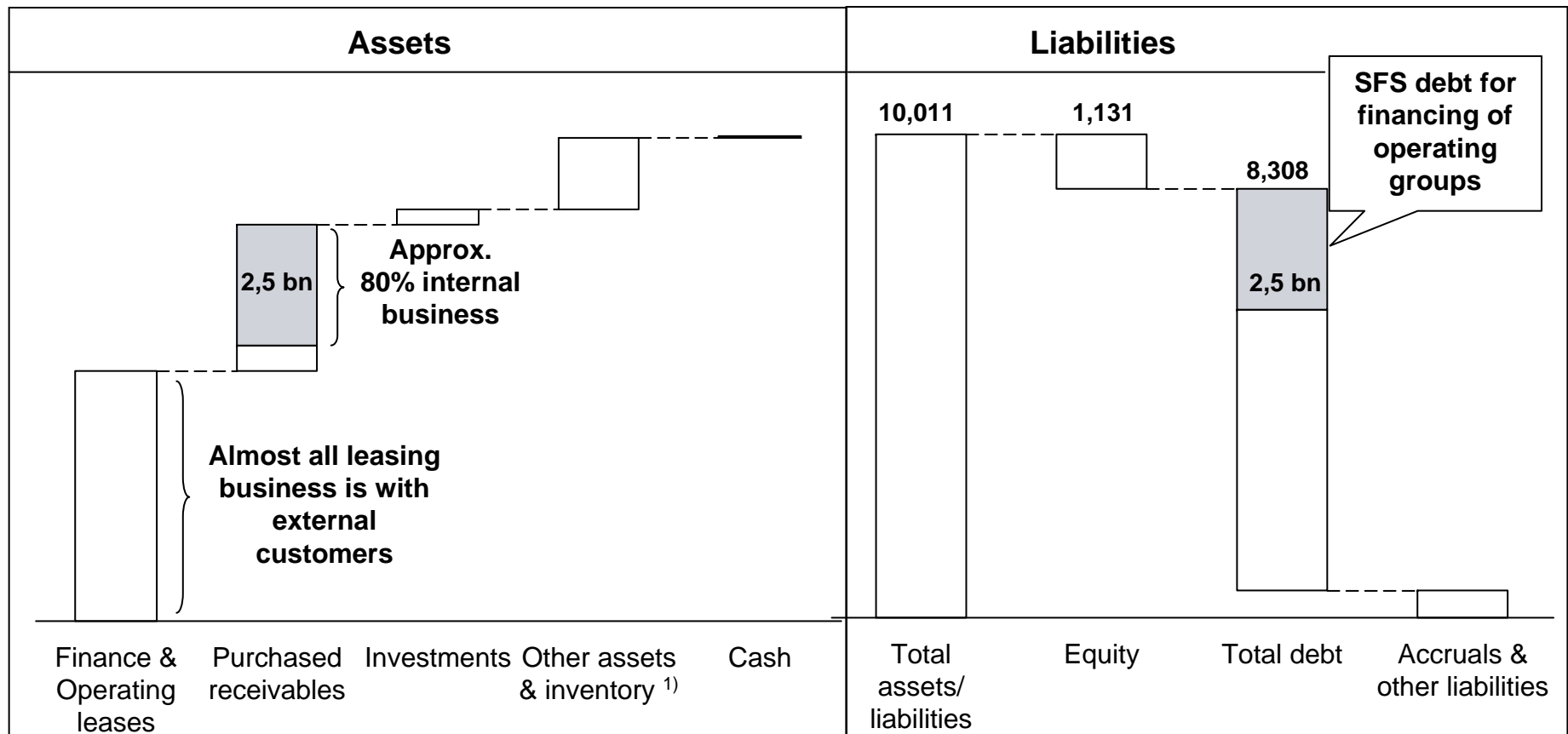
SAG  
net  
debt



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### SFS in Siemens SOTP: SFS net debt position (as of 30.06.2006)

Almost all SFS assets, and consequently SFS debt, are related to business with external customers except for the internal receivables financing business



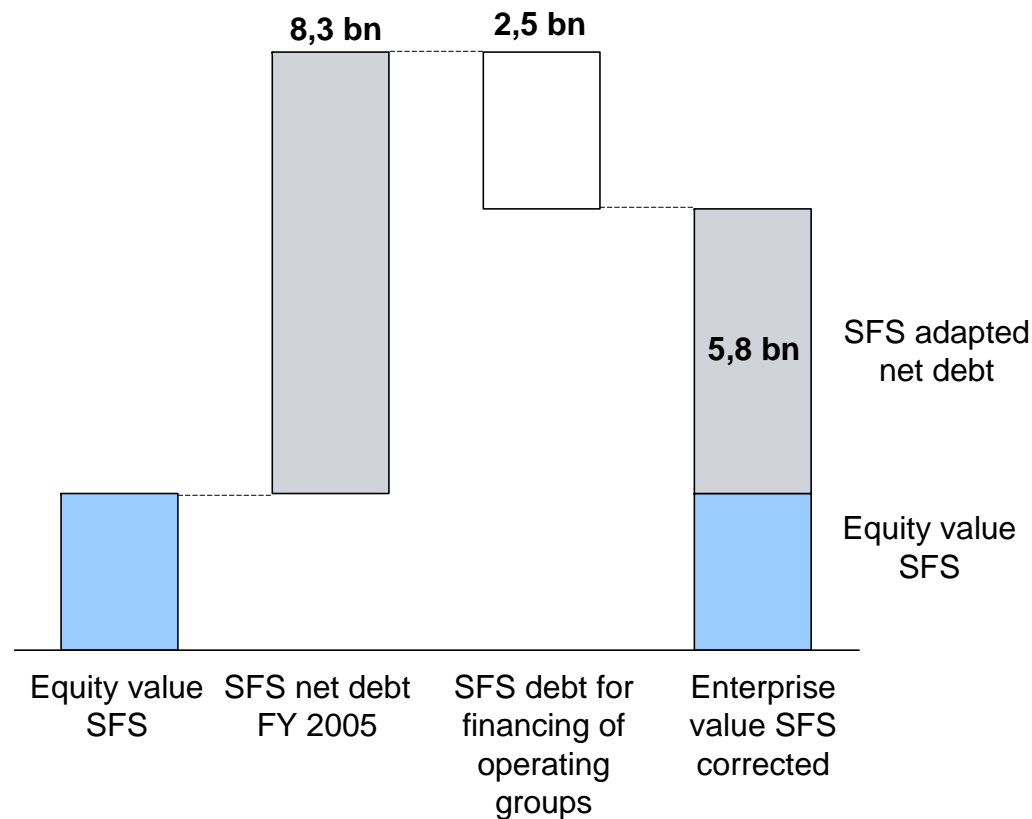
1) Other assets & inventory includes: Securities, fair values (positive) derivatives/FX, tax receivables, fixed assets, intangible assets, land and building, prepaid expenses, loan receivables and inventories



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## SFS in Siemens SOTP: Enterprise value calculation for SFS

In order to reflect SFS in the SOTP, the internal debt component has to be reflected in the SFS net debt for the enterprise value calculation



## 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 2005, Annual Report Fiscal 2005 or Fiscal 2006 / Quarter 3 / Financial Statements" at our Investor Relations website under [www.siemens.com](http://www.siemens.com)

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"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](http://www.siemens.com)

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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.

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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](http://www.siemens.com)

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