

Siemens – Global network of innovation

Siemens, headquartered in Berlin and Munich, is one of the world's largest electrical engineering and electronics companies. Sustainability has been a hallmark of the company ever since it's founding more than 155 years ago. At Siemens, sustainability means long-term economic success coupled with environmental awareness and the social responsibility that goes with being a good corporate citizen. In fiscal 2005 (ended September 30), the company had roughly 461,000 employees and posted sales of €75.445 billion from continuing operations. Net income for the year totaled €3.058 billion. Siemens generates around 80 percent of its sales outside of Germany.

With activities in more than 190 countries and some 600 plants, research facilities and sales offices worldwide, Siemens has a strong international presence. Company businesses are focused on six key areas: Information and Communications, Automation and Control, Power, Transportation, Medical and Lighting. Global business operations at Siemens are the responsibility of 13 Groups, including the financing arm and Siemens Real Estate. In addition, Siemens is also a partner in joint ventures – with Bosch in the household appliances sector (BSH Bosch-Siemens Hausgeräte) and with Fujitsu in computer systems (Fujitsu Siemens Computers).

The company has a well-balanced business portfolio in the field of electrical engineering and electronics. Siemens' activities are influenced by a variety of regional and sector-specific factors. In addition to internationally oriented businesses, such as Power Generation, Power Transmission and Distribution, Medical Solutions and Transportation Systems, which are generally subject to long-term business cycles, other sectors – for example, the consumer goods businesses in legally separate parts of Information and Communications and Osram, and the capital goods business of the Automation and Drives Group – are subject to short-term business

trends and immediate economic conditions. A well-balanced portfolio helped Siemens master the challenges posed by the difficult business environment of fiscal 2005.

Moreover, our six business areas reflect the megatrends of the future. Siemens is developing solutions for the major challenges of the future in the fields of healthcare, energy, water, communications, mobility, security, logistics and automation.

As a global network of innovation, Siemens successfully leverages synergies across its broad portfolio and operates with a central strategic orientation and decentralized entrepreneurial responsibilities and organizational structures, combined with local value creation. The company's traditional strengths are its power of innovation, its strong customer focus, its global presence and its financial solidity.

Siemens' activities are focused on the world electrical market, which has an annual volume of roughly €2.690 trillion in 2005. As a result of the expected slight cooling of the world economy, the pace of growth in the global electrical and electronics market could slow somewhat in 2006. At roughly 7.5%, however, it should still lie in the long-term growth corridor.

Innovation is a top priority for a world-class company in the field of electrical engineering and electronics. In 2005, the company invested €5.2 billion in R&D in order to remain at the forefront of technology. Last fiscal year, Siemens researchers and developers turned out around 8,800 inventions – a 7% increase – and applied for patents for two-thirds of them. The company is the largest patent applicant in Germany, is in second place in Europe, and among the top ten in the United States. Most of Siemens' approximately 47,000 researchers and developers are working on software projects, making the company one of the world's largest software houses. Siemens continues to concentrate on expanding the range of services, solutions and systems that complement its product portfolio.

Transparent and responsible company management and monitoring structures – oriented toward achieving sustainable growth in company value – are indispensable for earning and maintaining trust in Siemens and its business policies. Siemens has

traditionally attached great importance to respecting and protecting shareholders' rights, providing transparent and timely information about the company, and ensuring close cooperation between its Managing and Supervisory Boards. International and national corporate governance standards have long been complied with. As a good corporate citizen, we also help improve the quality of life wherever we operate. We support the education and training of youth, work to alleviate social problems, and promote the arts and culture.

With over 900,000 shareholders, Siemens is one of the world's largest public corporations. Just over 55 percent of the company's share capital is held outside of Germany. Since March 2001, Siemens shares have also been listed on the New York Stock Exchange (NYSE).