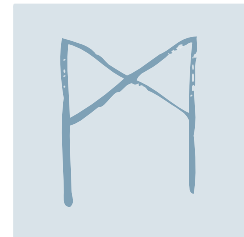


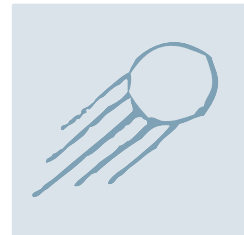
Corporate Principles



We strengthen our customers
– to keep them competitive



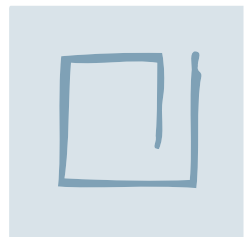
We enhance company value
– to open up new opportunities



We empower our people
– to achieve world class performance



We push innovation
– to shape the future



We embrace corporate responsibility
– to advance society



Annual Review 2006

Finland

Solutions for challenges of the future

www.siemens.fi

SIEMENS

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Key Events

October 1, 2005 – September 30, 2006

October 26, 2005

Siemens signs a hosting service agreement with Myllykoski Paper Oy for an IP-based voice solution. The agreement includes a modern voice solution, operator information systems and system maintenance and financing.

November 3, 2005

Siemens strengthens its position in the growing wind power markets by acquiring the German AN Windenergie GmbH.

December 12, 2005

Automation and Drives Group and the Chinese Jiangsu Beide Electrical Machinery Corporation agree to establish a new joint venture, Siemens Standard Motor Ltd. (SSML) in Yangzhou, China.

December 23, 2005

An agreement is reached with Turku Energia on a turnkey substation extension. This includes a 110 kV air-insulated switchgear, medium voltage switchgear and a power transformer (110/10 kV, 30 MVA), miscellaneous auxiliary systems and several modifications i.e. connecting the relay protection and automation system to the SCADA system.

January 11, 2006

Siemens provides Rautaruukki Corporation with an IP-based PAXB solution, to be adopted by Rautaruukki's 39 Finnish offices and sites.

January 16, 2006

Siemens will provide Nebula Oy with modern, fast broadband technology. IP-based broadband DSLMs will be connected to Nebula's own Ethernet-based core network. The minimum connection speed will be 24 Mbit/s.

January 23, 2006

Siemens is to supply the Finnish Road Administration with a turnkey adaptive traffic signal system and traffic and weather surveillance equipment for the motorway E18 between Lohja and Beltway III. These include road weather stations, control room display system equipment and computers and automation. The system will be used by, and controlled from, the Uusimaa and Turku Road District Traffic Management Centers.

January 30, 2006

An agreement is signed with Kela (The Social Insurance Institution of Finland) for an ERP system valued at a maximum of €10 million.

January 30, 2006

Siemens provides Tele2 Eesti AS with a complete 3G network in Estonia. Siemens will also be supplying Tele2 Eesti AS with radio and core equipment for its GSM network and upgrading existing circuit- and packet-switched network elements to ready them for W-CDMA operation.

January 31, 2006

Elisa Corporation outsources the development, maintenance and operation of its purchasing system to Siemens from March 1, 2006. This follows a purchasing system implementation including an operating and support service agreement in 2005. The 2006 ASP agreement will expand Siemens services into purchasing system processes. Eight Elisa employees will join Siemens as a result.

February 8, 2006

A letter of intent is signed with UPM for the partial outsourcing of its IT services.

February 17, 2006

Siemens and Lännen Puhelin donate a wireless broadband connection to the conscripts of the Pori Brigade.

February 27, 2006

Siemens wins an order from Vattenfall for Sweden's largest offshore windfarm, with an installed capacity of around 110 megawatts.

March 1, 2006

Finnnet's subsidiaries to be supplied with a fiber-optic network based on DWDM technology. This new technology will increase the transfer capacity of the existing paths on all wavelengths to up to 40 Gbit/s.

March 21, 2006

Saint-Gobain Isover Oy's sales company in Kiev, Ukraine begins using a SAP ERP system delivered by Siemens.

March 30, 2006

The Finnish Defence Forces renew an agreement for two years for outsourcing their national SAP service center operations and production to Siemens.

April 4, 2006

Siemens is the first major equipment manufacturer whose WiMAX solution – for mobile base stations, routers and modems – has been certificated by WiMAX Forum. This certification confirms interoperability between different manufacturers' systems.

April 13, 2006

BBC Scotland orders a € 77 million technology solution from Siemens including the design, build and implementation of broadcast technology and infrastructure in the customer's new headquarters.

May 10, 2006

UPM-Kymmene Corporation commissioned Siemens to provide shared IT-infrastructure services and user support for all of UPM's 30,000 employees. This multinational outsourcing contract is valid for five years.

May 19, 2006

Siemens is to supply Olkiluoto 3 with a fully-equipped 400 kV substation. The delivery will include civil works. The substation will connect Olkiluoto 3 to the main grid.

May 19, 2006

Siemens is to deliver high-speed trains worth €600 million to Russian Railways (RZD). The agreement includes a 30-year maintenance service.

June 13, 2006

Siemens is to provide PPO with a wireless WiMAX broadband solution.

June 14, 2006

Siemens is to provide Elisa Corporation with a new generation broadband network. This will include IP-based broadband DSLAMs and their installation, implementation and maintenance services.

June 19, 2006

Nokia and Siemens announce their intention to combine Nokia Networks' and Siemens' carrier-related operations into a new company, Nokia Siemens Networks.

June 22, 2006

Siemens is to provide maintenance services, network and service configuration management, and routing platforms for the network of the Finnish Defence Forces.

June 27, 2006

Siemens is to supply Vuosaari Harbour, currently under construction, with a traffic management system which will cover the Porvarilahti tunnel, Satamatie and the connected road network. This will include surveillance camera and PA systems, road weather stations, vehicle counting equipment, speed-limit, warning, lane and other variable signs, and traffic lights. Interfaces, control software, databases, servers and CPUs will also feature.

June 27, 2006

TeliaSonera is to receive an optic-fiber network based on DWDM technology, in the face of growing data volumes.

June 30, 2006

An agreement is signed for the acquisition of Bayer Group's diagnostics division. This will consolidate Siemens' position in the burgeoning molecular diagnosis markets.

July 3, 2006

UAB Tele2 in Lithuania orders a nationwide 3G network.

July 7, 2006

Siemens is to build a €450 million combined cycle power plant as a turnkey project in Irsching, Germany. The customer is Gemeinschaftskraftwerk Irsching GmbH.

July 20, 2006

In the energy sector, Siemens acquires AG Kühnle, Kopp & Kausch, which develops, manufactures and markets steam turbines.

July 31, 2006

Siemens signs an agreement for the acquisition of Kintec A.E, a multinational security systems and services provider.

August 2, 2006

Siemens provides Russian system operator SO-CDU UES with a power system control meeting the challenges of the country's deregulated energy markets.

August 10, 2006

Siemens signs a €54 million IT outsourcing agreement with a US biotechnology company, Alecris Biotherapeutics.

August 16, 2006

Siemens won the agreement on the modernization of the Finnish Rail Administration's southern Finland rail traffic control system, including an automatic traffic disruption detection system.

September 27, 2006

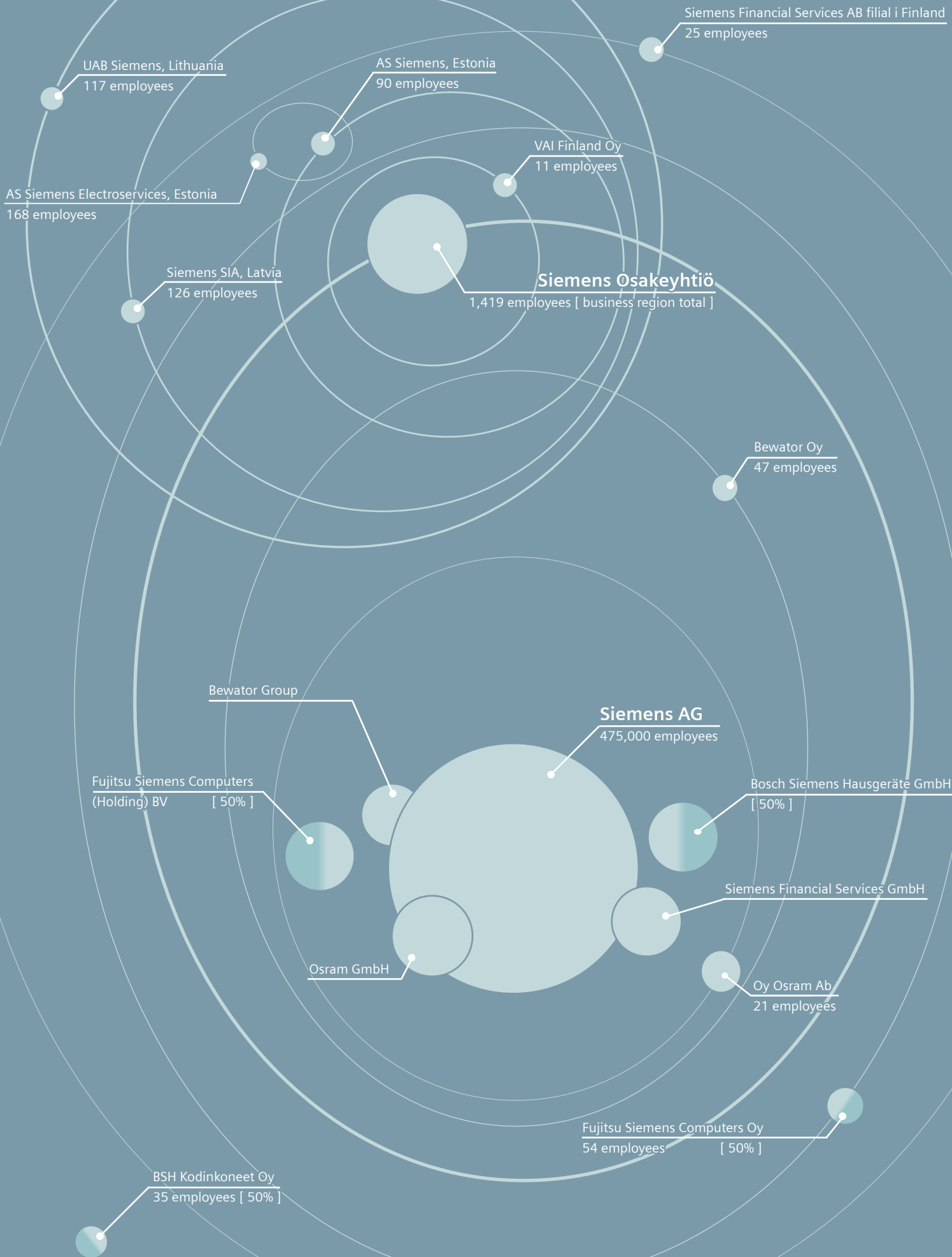
Siemens signs an agreement for the acquisition of VistaScape Security Systems Corp, an American security solutions provider.

September 29, 2006

Leading Finnish broadcasting network operator, Digita Oy, and Siemens sign a framework agreement for broad-ranging cooperation in building a nationwide, wireless broadband network based on flash-OFDM technology and 450 MHz frequencies.

Intensifying **urbanization** and explosive population growth and **aging** represent two megatrends affecting the future. The resulting challenges include sufficient **energy** supply, a growing **environmental** burden, securing **healthcare services** and quality of life, and **safety** and the **mobility** of people, goods and data. Siemens' **innovative technologies**, **diverse expertise** and **global presence** offer solutions which improve quality of life and our customers' competitiveness. **Megatrends** represent an **opportunity** for Siemens, the world's most versatile infrastructure solutions provider.

Global network of innovation



Siemens in Finland and the Baltics

Siemens is a provider of innovative technologies and expert services. The company supplies partial and turnkey solutions for three growth sectors of the future, energy and the environment, automation and infrastructures, and healthcare. Our customers appreciate our resources, compatible technologies and a global innovation network which is combined with strong local expertise.

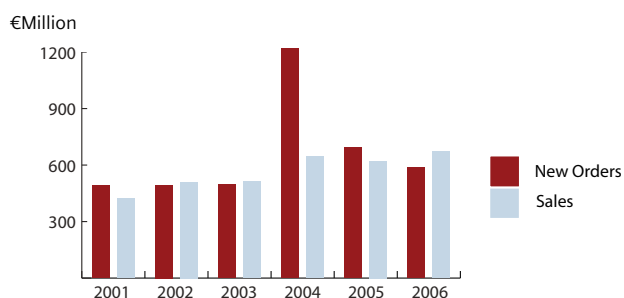
Siemens, an over 150-year-old company, operates in the energy, industry, building technology, information technology, transportation, communications, healthcare technology, computer and household appliance, lighting and finance sectors.

Siemens companies in Finland include Siemens Osakeyhtiö, Medical Solutions, Oy Osram Ab, Siemens Financial Services and Bewator Oy. Siemens Osakeyhtiö has four subsidiaries, AS Siemens in Estonia, Siemens SIA in Latvia, UAB Siemens in Lithuania and VAI Finland Oy. Other Siemens companies in Finland are Fujitsu Siemens Computers Oy and BSH Kodinkoneet Oy, in which Siemens has a 50 percent stake. The number of employees is around 1,660.

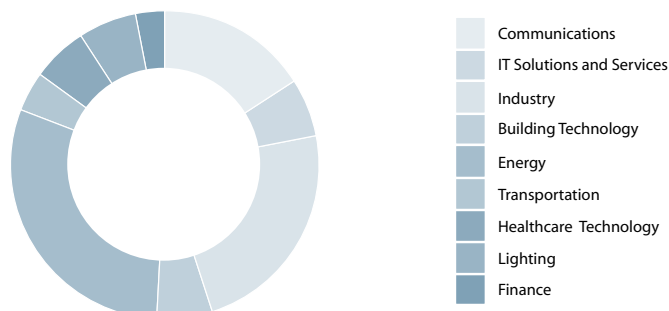
During the fiscal year, Siemens' internationally operating, wholly owned companies recorded total net sales in Finland and the Baltics of around €671 million. Siemens' international business in Finland includes e.g. healthcare technology, lighting, finance and the construction of the fifth nuclear power plant unit.

Siemens AG, the parent company, has net sales of €87.3 billion and employs around 475,000 people. Siemens has a presence in over 190 countries around the world.

Siemens' business volume in Finland and the Baltics



Net sales by business segment in Finland and the Baltics



New orders and sales include Siemens' international business in Finland and the Baltics, as well as the local business of companies fully owned by Siemens. New orders for fiscal 2004 rose as a result of orders secured by Siemens in respect of the Olkiluoto 3.

CEO's review

Securing profitable growth, expanding our service business and reinforcing cooperation across the business region are our key objectives. To this end, we are focusing on three growth areas: energy and the environment, automation and infrastructures, and healthcare. New orders and growth in net sales are providing a good start for the new fiscal year.

All countries in which we operate had rapid economic growth during the fiscal year. Finland saw increased investment from the energy and industry sectors and OEM manufacturers. Demand for outsourcing solutions grew. EU projects and burgeoning construction spurred growth in the Baltics, and Siemens succeeded throughout the region. Our business grew by almost 10 percent in comparable terms, meeting our growth targets.

We also won major orders. These included an IT outsourcing agreement with UPM, a substation for the Olkiluoto 3 nuclear power plant unit and new technology for road and rail transport. Industrial product sales also grew vigorously. I should like to take this opportunity to thank our customers for their confidence and cooperation.

Challenges and opportunities in mergers and acquisitions

International acquisitions contributed to the growth of our business in Finland. While Flender Oy merged with Siemens, automation provider VAI Finland Oy and security company Bewator Oy are currently being integrated with our company.

Furthermore, the Nokia Siemens Networks joint venture, which will include our Finnish operator business, is expected to start operations in the first half of fiscal 2007. In Finland, our enterprise solutions business will be incorporated into a wholly-owned subsidiary, Siemens Enterprise Communications Oy.

These transactions will help us continue to provide competitive products and services. We are actively seeking growth in other businesses to meet the challenges caused by company restructuring.

Megatrends represent opportunities

For over 150 years we have been building Finland's infrastructure in key industries and through challenging projects. Finland too will face challenges presented by megatrends such as urbanization, population growth and, in particular, an ageing population. Solving major problems such as energy supply, transport, industry competitiveness and cost-effective healthcare service provision will require innovative technology and versatile expertise. To Siemens, this represents a prime opportunity in Finland, too.





Growth in service business

Our customers are becoming more and more interested in lifecycle services which include products, planning, implementation and maintenance. Combining our expertise with international high technology will help us provide the expert services which best improve our customers' competitiveness.

Furthermore, more effective pooling of our expertise across our region will ensure high quality, sufficient resources and cost-efficiency.

Comprehensive expertise

The procurement of technology is becoming more complex. A few years ago, in order to present our customers with a broader portfolio of our expertise, we established a Major Account Sales unit. Through this, we improved their knowledge of our diverse expertise and our understanding of their businesses. Deepened cooperation with customers resulted in new orders.

Prospects

Finland's economy is growing. Industry and the energy sector are continuing to invest, and exports are expected to grow rapidly. EU-funded projects and construction will spur growth in the Baltics.

New orders from last year will provide a good start for 2007. M&As will present both challenges and opportunities. We will continue to improve our project management, ensuring high quality, cost-efficient solutions and improved profitability.

To meet the challenges before us, we need skilled employees. Through employee surveys we have identified areas whose development will help us achieve our goals and maintain an ongoing dialogue with our employees. My heartfelt thanks to our employees for our growth and their expertise and flexibility in the midst of change.

Henrik Gayer
CEO
Siemens Osakeyhtiö

Our Vision

- Technology leader in the global electrical industry.
- A growth company that provides every customer with the highest sustainable value.
- Number one or two in all of its businesses.
- One of the world's most successful companies in the electrical industry.

Management Board

Pertti Huhta
Business Group Director,
Energy and Transportation

Jaakko Tennilä
Business Group Director,
Industrial Solutions and Services



Nina Jankola
Director,
Human Resources

Jussi Grönholm
Business Group Director,
IT Solutions and Services

Henrik Gayer
CEO

Board of Directors

Henrik Gayer, chairman
CEO

Michael Eidam
CFO

Dr. Edgar Wittmann
Siemens AG, Director

Supervisory Board

Kimmo Kalela, chairman
Industrial Counsellor

Dr. Thomas Ganswindt
Siemens AG, Executive Vice President

Manfred Dönz
Siemens AG, Director

Kari Jordan (until Dec. 31, 2005)
Metsäliitto Group, President

Professor Olli Martikainen
University of Oulu / Associate Research Fellow, ETLA

D.Sc (Tech) Kalevi Nikkilä

Timo Rajala (from Nov. 28, 2005)
Pohjolan Voima Oy, President and CEO

- Attractive to the best and brightest in the world.
Its employees are proud of their company.
- One of the most valuable companies in the world.
- Committed to an ambitious value code:
Humaneness, equal opportunity, strict ethical standards in all business dealings.

Tapio Lautsi
Director,
Major Account Sales

Juha Lehtonen
Director,
Corporate Strategy and Development

Michael Eidam
CFO

CEOs of the Baltic subsidiaries

Avo Tihamäe
CEO, AS Siemens, Estonia

Martti Kohtanen
CEO, Siemens SIA, Latvia

Audris Barcevičius
CEO, UAB Siemens, Lithuania

Mauri Silfverberg
Business Group Director,
Automation and Drives

Petteri Kleemola
Business Group Director,
Communications



Promoting education and the arts

Siemens is involved in the promotion of education throughout the world. During the year, Siemens Osakeyhtiö employed approx. 50 summer trainees. In addition, Siemens donated business literature and teenage fiction to Leppävaara library. Siemens Arts Program specializes in experimental contemporary art. The company's foundations support art and music. In Finland, Siemens has carried out joint projects with the University of Art and Design Helsinki.



Competitiveness based on local expertise

Siemens' success is based on a strong product and service portfolio, close cooperation with customers, skilled employees and responsible conduct. Customers benefit from our international, leading-edge technology, innovative solutions and expert services provided in local languages. Profitable growth is also assured through corporate and employee development.

Siemens aims to grow and strengthen its position in the industries of the future. To this end, the company has performed major mergers and acquisitions.

We fortified our position in industry through acquisition of Flender Oy in Finland. Furthermore, VA Tech Group's Finnish subsidiary, VAI Finland Oy, will merge with Siemens in 2007, augmenting our automation competences and metal industry expertise. Bewator Oy, specializing in security solutions, is also being merged with Siemens.

If Siemens is unable to achieve a leading position in some industries through reasonable investments, it will seek other means of doing so. Siemens Osakeyhtiö's operator network business will be transferred to the Nokia Siemens Networks joint venture. Enterprise Solutions was incorporated in Siemens Enterprise Communications Oy.

Local added value from services

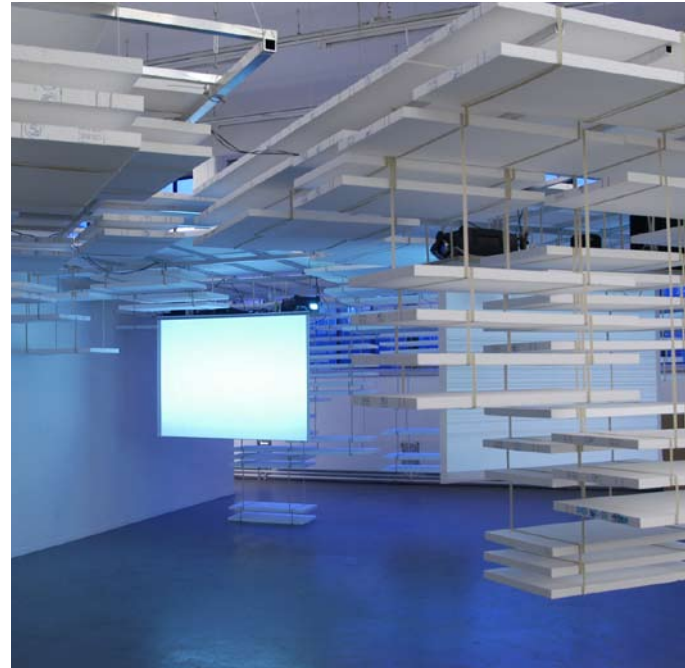
At the end of the fiscal year, our indus-

trial solutions and services were formed into a business group meeting growing demand for industrial lifecycle services and strengthening our service business. Expert services are important to securing our future competitiveness.

The Major Account Sales Unit increased customers' knowledge of Siemens' diversified expertise and turnkey solutions. The company is stepping up its participation in diversified projects, such as the Hospital District of Helsinki and Uusimaa's and Tekes' (Finnish Funding Agency for Technology and Innovation) Ideal Hospital project. Orders from multi-sector clients are growing.

High-performance culture the basis of success

Skilled and motivated employees are the key to Siemens' success. The company's goal is an even more goal-oriented corporate culture, the progress of which formed a focus during the year. Key issues are well-defined, personal goals,



performance analyses, performance-based rewarding and regular feedback.

Such a culture also requires professional leadership and employee development.

Challenging career paths for our experts

The company continued its leadership training program, focusing on key business areas. Through such training, we sought to identify new businesses and markets in support of company growth, as well as concepts which ease our entry into new markets.

We also began to provide our experts with rewarding career paths and prospects.

Improved project management

Project management is a key development area across our business region, with respect to improving quality and profitability.

It also remained a focus area in the development of professional skills. Our aim is to ensure successful projects through shared operating models, and to develop our project skills on a continuous basis.

Through this training, around 30 percent of Siemens' project managers have attained IPMA level C certificates. This also requires continuous improvement of professional skills.

Sustainable development requires new technologies

Corporate responsibility at Siemens is based on respect for sustainable development, interaction with the areas surrounding Siemens' offices and plants, and ethical business practices.

Meeting future challenges on an environmentally sustainable basis will require new, innovative technologies.

Siemens provides solutions for environmentally friendly power generation, water treatment, efficient industrial production, more efficient power consumption in buildings and safe, smooth transportation. During the fiscal year Siemens invested €5.7 billion in research and product development.

New environmental management system

Siemens established its own environmental organization in 1971, and abides by its own stringent rules across all production activities. Since 2000, the company has been selected every year for inclusion in the Dow Jones Sustainability Index.

During the fiscal year, Siemens Osaakeyhtiö upgraded its environmental management system based on a new standard. The EU's RoHS Directive was taken into account in the system's guidelines and implementation.

Strength in cooperation across the business region

Siemens Osakeyhtiö in Finland, AS Siemens in Estonia, Siemens SIA in Latvia and UAB Siemens in Lithuania form a business region. We pool each country's expertise and resources in our projects, providing fast services, reliability and cost benefits.

For instance, our Latvian business provides IT services throughout the region and to international customers. Our Estonian energy experts are also involved in Finnish projects.



Developing the public sector

As a major supplier for the European public sector, Siemens agreed to provide the City of Tallinn with development and training related to the SAP ERP system, paving the way for subsequent cooperation. The company will also deliver a budgeting system to the Ministry of Finance.

Key figures

Net sales €33.0 million
Employees 258

AS Siemens, Estonia

In a strongly growing economy, AS Siemens has succeeded particularly well as a supplier of energy and ICT products and solutions.

Besides the year's largest transmission grid modernization, the reconstruction of the Püssi substation, AS Siemens extended Eesti Energia AS' 330 kV Harku substation and modernized the Viimsi substation's 10 kV switchgear.

The company also signed a strategically important contract with the Ministry of Finance for the implementation of a budgeting system. Built on SAP BW-BPS, this will be used to analyze, model and simulate the State budget submitted to Parliament.

Within automation, the largest deal included a franchise contract for Siemens' Sivacon switchgear systems with Harju Elekter. We also supplied Eesti Elektri jaam with fuel container automation systems, renovated Orica Eesti's production process automation and delivered production automation to the Imavere sawmill.

Furthermore, we supplied Tallinn Diagnostics Center with computer tomography, magnetic imaging and X-ray equipment.

The modernization of five railroad stations continued in southeastern Estonia. The largest telecommunications project included a broadband network supplied and installed for Elisa in cooperation with AS Siemens Electroservices. The year also saw the delivery of a broadband access network and optical transmission network equipment to Elion, and a contract with Tele2 for a new 3G network.

Televõrgu AS ordered a HiPath 4000 extension for its new head office and Nordic JetLine upgraded its telephone system and contact center through HiPath 4000 and HiPath ProCenter Agile. Moreover, the City Councils of Tallinn and Tartu became users of VoIP telephone systems.

Corporate responsibility

Siemens organized tours of schools and universities and supported some interesting projects by students and young researchers, such as "The Intelligent Shopping Cart" project.

Prospects

The EU is providing funds for a border station for rail traffic. In addition, IT service prospects look bright, with the public sector showing a keen interest in SAP solutions.

For greater security

Security solutions aroused interest in Latvia. The Ministry of Interior is investing in border control and Latvia Post in e-signatures.

Key figures

Net sales €44.3 million
Employees 126



Siemens SIA, Latvia

During the fiscal year, the Latvian economy continued its robust growth, particularly in construction. The energy sector invested in its production capacity in Riga, public funding was allocated to improve the largest hospitals' performances and heavy investments were made in border control in compliance with the Schengen accord.

In Latvia, Siemens grew in the industry, healthcare technology and telecommunications fields.

AS Augstsprieguma tikls is an important energy-sector customer. Siemens SIA delivered equipment to 330/110 kV substation in Rezekne and 330/110 kV substation at the TEC-2 thermal power plant.

We supplied the Ministry of Interior with a video surveillance system for the country's sea frontier, involving microwave technology, communications networks, thermal video cameras and communications systems.

Within IT services, we concluded a consulting agreement with Latvia Post for the adoption of electronic signatures.

Siemens SIA was also involved in the implementation and construction of, and equipment delivery for, an extensive

project for the Paula Stradina University Hospital. This contributed to the creation of the Baltics' most modern invasive angiography laboratory.

Within telecommunications, we supplied DWDM equipment for an information network, including a submarine cable from Latvia to Sweden and a terrestrial cable in Latvia.

Corporate responsibility

For years, Siemens SIA has supported the Latvian National Opera, and donated modern IT and lighting equipment during the fiscal year. The company has also supported higher education, especially in technology, and actively participated in career counseling days at universities.

Prospects

Latvia will invest in healthcare and public administration, energy efficiency and transportation and logistics.

Prospects look bright in the energy, industry, healthcare and IT services sectors.



Smoother traffic

Mobility is increasing in the networked world. Siemens can provide diversified solutions for airports. In Lithuania we are modernizing Palanga International Airport.

Key figure

Net sales €47.6 million
Employees 117

UAB Siemens, Lithuania

In 2006 the Lithuanian economy grew rapidly, boosted by the construction sector. UAB Siemens succeeded particularly well in providing energy solutions. Growth areas also included healthcare and building technology solutions and IT services.

Siemens is supplying the Panevezys CHP with a gas turbine. It is also modernizing a substation in Vilna for Lietuvos Energija and one in Nemunas for the country's first private distributor, VST.

Siemens will reconstruct Palanga International Airport. The project will be funded by the EU. Building automation products and systems, and lighting and electricity technology, were provided for Vilnius Water and Entertainment Park.

Close cooperation with Lithuanian Railways resulted in the implementation of rail infrastructure modernization projects, and our delivery of 34 diesel-electric locomotives continues.

We strengthened our position as an ERP system provider by extending our SAP-based solution business and expertise. The State Social Insurance Fund Board ordered a SAP-based financial management system.

Moreover, at the cardio surgical center of the Hospital of Kaunas University of

Medicine, our turnkey project continued, including various healthcare technologies.

In addition, Siemens is building a nationwide 3G network for Tele2.

Corporate responsibility

We have been a partner of schools and technical universities, Werner von Siemens Excellence Awards have been granted to talented students. Siemens is also a major sponsor of the Lithuanian National Opera and Ballet Theatre.

Prospects

EU funding is enhancing economic growth in Lithuania. In terms of IT services, Siemens is focusing on SAP solutions and EU funded eGovernment projects. Substantial EU funding, private energy companies' investments and the closure of the Ignalin nuclear plant in 2009 will also stimulate the energy markets.

Investment is forecast in the chemicals, pharmaceutical, water treatment, pulp and paper industries. Siemens will also be provided with opportunities by the construction sector's robust growth. Healthcare markets will benefit from EU funding and private investment. Rail modernization projects should provide Siemens with positive prospects.



Urbanization

By 2007, more people will live in cities than in rural areas for the first time in human history. By 2030, city dwellers will account for over 60 percent of the world's population, or five billion people. Population growth will focus on megacities with populations of over 10 million.

Education, jobs, healthcare, cultural diversity, better living conditions and greater business opportunities attract people to cities. Paris, Bangkok, Mexico City, Buenos Aires, Seoul and Tokyo, for instance, generate up to half of national GDP. Helsinki region accounts for more than 30 percent of the Finnish GDP.

Urbanization is also gathering momentum in Finland, small towns facing challenges similar to the world's megacities. A major challenge is to guarantee all city dwellers a comfortable, secure and pollution-free environment with sufficient clean water, energy and healthcare services and easy transportation and communication at a reasonable cost.

The world needs new, integrated technologies to face growing urbanization. Siemens, the world's most versatile provider of infrastructure solutions, will help it meet this challenge.





Intensifying urbanization in Tampere

Urbanization in Finland is intensifying. With a population of over 300,000, Tampere region is Finland's second largest growth pole, attracting around 4,000 incomers every year.

Jarmo Rantanen, Mayor of Tampere, presides over Finland's third largest city and the most attractive to inhabit according to a survey of willingness to move to cities. Tampere came top with respect to location, leisure time opportunities and public services.

Around 206,000 people live in Tampere.

"Tampere has a bright future. Its population is growing by 2,000 a year, and double that counting the whole urban region. Even conservative forecasts see the region growing by the size of Hämeenlinna city with 47,000 inhabitants by 2030," explains Rantanen.

He thinks migration to the cities is a natural trend.

"Services will increasingly concentrate in major cities and growth creates new, positive energy. It seems that major cities have more opportunities to develop their activities than smaller ones. They are a breeding ground for innovations which attract talent and jobs. This contributes to a virtuous spiral. Of course, problems such as social exclusion are also becoming more severe in major cities".

Rantanen highlights the key role cities are playing in Finland's economic success.

"The six largest cities account for over 60 percent of Finnish GDP and represent more than 80 percent of innovation important to future prosperity and employment. We should therefore continue to provide cities with good opportunities for growth and development."

Most people move to Tampere due to their jobs.

"Tampere's substantial increase in its number of jobs places it alongside Helsinki and Oulu among the top three areas in terms of growth."

Strong increase in senior citizens

The number of 64-year-olds looks set to rise by almost 13,000 by 2020, and the number of over 85s by 1,500. Population aging will therefore prove particularly challenging for the city's services.

"The aging of the population and growing demand for services will present challenges to cities. In response, the City of Tampere has developed a purchaser/provider operating model enabling the



The benefits of new technology

New technologies can help meet the challenges faced by growing cities.

"Information technology is integral to all city activities, and covers almost all processes. Although internet technology has brought the city's information systems close to dwellers, the exploitation of technology in electronic services and municipal democracy remains in its infancy. New innovations are continually arriving," states Jarmo Rantanen, Mayor of Tampere.

joint supply of services alongside other municipalities, the private sector and other organizations," explains Rantanen.

Smooth traffic – the greatest challenge

Rantanen affirms that traffic is a major challenge.

"We need quick policy decisions on transport systems, because traffic jams are getting worse. Smooth traffic is important for the development of employment and economy. Residential areas, jobs, and leisure facilities and areas are scattered across the city, increasing the number of journeys made inside the city. Travel in and out of the city is also strongly increasing."

He states that public transport must be improved to become a real alternative to private motoring.

"High quality public transport is a must for a well-performing city and should be readily available to all residents. Cities are also growing in terms of their residential areas, and neighborhoods are becoming more important to their inhabitants."

Rantanen encourages decision-makers to take account of the long-term consequences of their decisions with respect to public transport.

"Work is underway involving the comparison of various public transport options, such as rail.

Recent public transport investments have included fast, direct connections to the city center, easily remembered services running at the same times each hour and connecting new areas.

"We have also invested in a real-time information

system and built dedicated public transport lanes. Within the next few years, we aim to implement a traffic light priority system for virtually all cross-roads which have traffic lights and which are used by buses. Developments include the use of satellite-positioning technology in the passenger information system."

New services through enhanced mobility

Rantanen stresses that technology is enabling cities to cut down on routine work, and resulting in faster service provision of higher quality for dwellers.

"Enhanced mobility is allowing us to develop services throughout the city's service sectors, ranging from healthcare and education to traffic. Customer focus forms the major challenge, requiring effective service delivery as well as technological innovations."



Safer on intelligent roads

Managing and maintaining a road network of 78,000 kms, the Finnish Road Administration is tasked with providing safe and smooth road connections. Telematics combining ICT technologies is one solution for safer and smoother road traffic. The intelligent road is the shape of things to come.

Up to 93 percent of Finnish passengers and 69 percent of goods travel by road.

"It is our duty to ensure road safety, our primary role being to improve road conditions, which account for around a fifth of total safety. Other factors include drivers' behavior and vehicle condition," says Eero Karjaluoto, the Road Administration's Director-General.

He affirms that Finnish road safety has improved, but only slightly.

"We rank amongst the best in traffic safety by international standards, but lag behind the other Nordic countries."

Traffic management is important to the Road Administration.

"It's a major challenge, and by using information and traffic control, we try to influence drivers' behavior. In this way, we can postpone or even avoid investments by making the most of existing road capacity."

Karjaluoto explains that the Road Administration has high expectations for ICT.

"It provides numerous opportunities for extra

safety and the use of road capacity through traffic control, what we might term intelligent roads and cars." The future will see more equipment and software, based on new technology.

"Mobile data transfer based on positioning technology will play a major role, informing drivers of issues such as whether they're crossing a solid, yellow line."

Such positioning can be achieved to within a few centimeters.

"Speed limits and various messages can be provided proactively, if problems lie ahead. Thanks to vehicle intercommunication, avoiding a number of situations, such as crashes, will be possible," explains Karjaluoto.

The User-Pays Principle in line with EU transport policy

The Road Administration must also develop the road network and transport system in cooperation with various stakeholders, based on the related legislation.

Road assets are worth around €15 billion and annual road management financing €750 million.



Traffic congestion needs a solution

Eero Karjaluoto, Director-General of the Finnish Road Administration, affirms that road traffic telematics and information systems will play a more important role in urban districts. Supporting public transport will also alleviate mounting congestion.

"Finland is almost the only western country, save the Baltics, whose construction and maintenance of public roads are wholly publicly funded. Elsewhere, a mix of financing methods is used."

Karjaluoto thinks this is problematic, since infrastructure spending tends to be set against other needs, such as welfare.

"In comparison, major road investments generate little sympathy, so perhaps Finland should consider mixed financing."

The world has many, varied toll systems.

"In the longer run, I think that the User-Pays Principle will be adopted, maybe through a toll system. After all, new technology has removed the need for toll stations and making motorists pay 'as they go' will change their driving patterns, remove congestion from toll roads and create additional funds. Also scarcity of financing encourages this trend."

More public transport in Helsinki Metropolitan Area

Karjaluoto points out that Finland has relatively few major growth centers.

"These centers, especially Helsinki Metropolitan Area, will face mounting problems such as congestion. This will make telematic and information services more crucial."

In view of the transport system as a whole, public transport accounts for almost 60 percent of road travel to Center of Helsinki.

"We share a common understanding of the need

to support public transport. A considerable increase in commuting by mass transit from its current level would alleviate traffic jams. Pedestrian and bicycle traffic should also assume a more prominent role."

Karjaluoto stresses how important public transport is to the radial main roads around Helsinki, and plans are being drawn up to improve the roads in this respect.

"These roads should have two lanes in either direction, plus a lane dedicated to public transport and well-designed bus stops and information. This would enable buses to compete with cars in terms of travel time."

Beltway III is Helsinki-Vantaa Airport's most important road connection, an arterial road for public transit in Vantaa and a goods transport route serving the forthcoming Vuosaari Harbour.

"There, we plan a combination of telematic and physical measures between Lentoasemantie and the Hämeenlinna freeway."

A state-launched project, managed by the Road Administration, will cover roads to Vuosaari Harbour. Goods will be transported directly along Satamatie, a new road connecting the harbor to Beltway III. Trucks to and from the current ports will move from the center of Helsinki and Beltway I to more suitable routes.

"Traffic control and surveillance will present a major challenge in the harbor terminal area."

Traffic control system ensures safer, smoother traffic

Cities face the challenge of constantly growing traffic, with congestion a familiar experience. Modern technology, such as telematics and traffic control systems, can ease urban traffic congestion and improve travel safety.



Diversified solutions for challenging projects

Exploiting diversified excellence

Siemens implements partial and complete solutions for challenging infrastructure projects.

Siemens is one of the world's most versatile infrastructure solutions providers, combining its ten business areas' products and expertise into a broad range of technology solutions.

Customers benefit from our in-depth industry knowledge, international innovation network, local experience and the ease of buying from us.

Our technology solutions are a safe investment, accounting for future development and change.

Our innovation strategy pays particular attention to technology platforms applied to different fields. These platforms in turn ensure product and system compatibility.

Industry

Siemens supplies industry with total solutions globally, combining energy and IT solutions, automation and integrated MES and ERP systems. These enable industry to increase productivity and competitiveness.

Our major forest industry customers in Finland include UPM, Stora Enso, Metsäliitto Group and Myllykoski.

The merger of VA Tech, an Austrian

industrial Group, and its Finnish subsidiary with Siemens will strengthen our position in the metal industry.

Energy

We must do more to respond to growing demand for energy, save energy and protect the environment. Siemens has a diverse range of solutions for efficient power generation, transmission and distribution, and economical consumption.

Finnish industry needs a secure energy supply at competitive prices. Siemens is involved in the construction of the country's fifth nuclear power plant unit.

Security

As free movement of information, people and goods increases in our networked world, security will be a prerequisite for successful business. Secured communications, transactions, access to IT systems and knowledge capital typify areas requiring security solutions.

Siemens provides solutions for video surveillance and access control, identification, fire safety, traceability, monitoring and data security, and integrated security solutions.



Developing the Ideal Hospital

Population aging and more expensive treatment technologies will present new challenges to the Finnish healthcare sector. The Hospital District of Helsinki and Uusimaa and the Finnish Funding Agency for Technology and Innovation have launched an extensive project, Ideal Hospital, with partners including Siemens, aimed at creating a future model for specialist healthcare. The goal is to improve efficiency and the quality of treatment. Innovative practices and new technologies will play a fundamental role in enhancing efficiency.

Transportation and logistics

Telematics and intelligent traffic control systems help ensure safe and smooth traffic. We have supplied the Finnish Road Administration with an adaptive traffic signal system and traffic surveillance equipment on the E18 motorway between Lohja and Beltway III.

Siemens is a major supplier for modern rail transportation and a leader in automation, signaling systems and communication technology. The Finnish Rail Administration has ordered a rail traffic control system, and we will supply the Finnish Road Administration with a traffic management system for the new Vuosaari Harbour.

We also provide products, solutions and services to airports worldwide.

Healthcare

Healthcare services need a diversified range of technology solutions to improve medical care, quality of life and efficiency. Siemens has a leading position in medical imaging systems and molecular diagnostics.

Siemens' expertise ranges from healthcare process development, ITC and

security solutions to self-service environments for patients. The company's offerings include electronic health cards, e.g. nine million cards have been delivered to Lombardy, Italy.

Public sector

The public sector must provide citizens and companies with integrated, secure and easy services at reasonable cost. In Europe Siemens is a leading supplier of IT solutions and services for the public-sector, including those for border security, the movement of labor and infrastructure modernization. It has implemented a number of eGovernment solutions. Biometric identifiers for passports and credit cards ensure security.

In Finland, Siemens' customers include the Social Insurance Institution of Finland, the City of Tampere, the Road Administration, the Defence Forces, the Rail Administration, hospital districts and universities.

Partial and total solutions

- Airports
- Automotive
- Cement
- Chemicals
- Energy
- Finance
- Food & Beverage
- Glass
- Healthcare
- Hospitality and Hotels
- Major Events
- Marine Industry and harbors
- Media
- Metals & Mining
- Oil & Gas
- Pharmaceutical
- Public Sector
- Pulp & Paper
- Security
- Semiconductor
- Sports Venues
- Telematics
- Transport
- Utilities
- Water and Wastewater



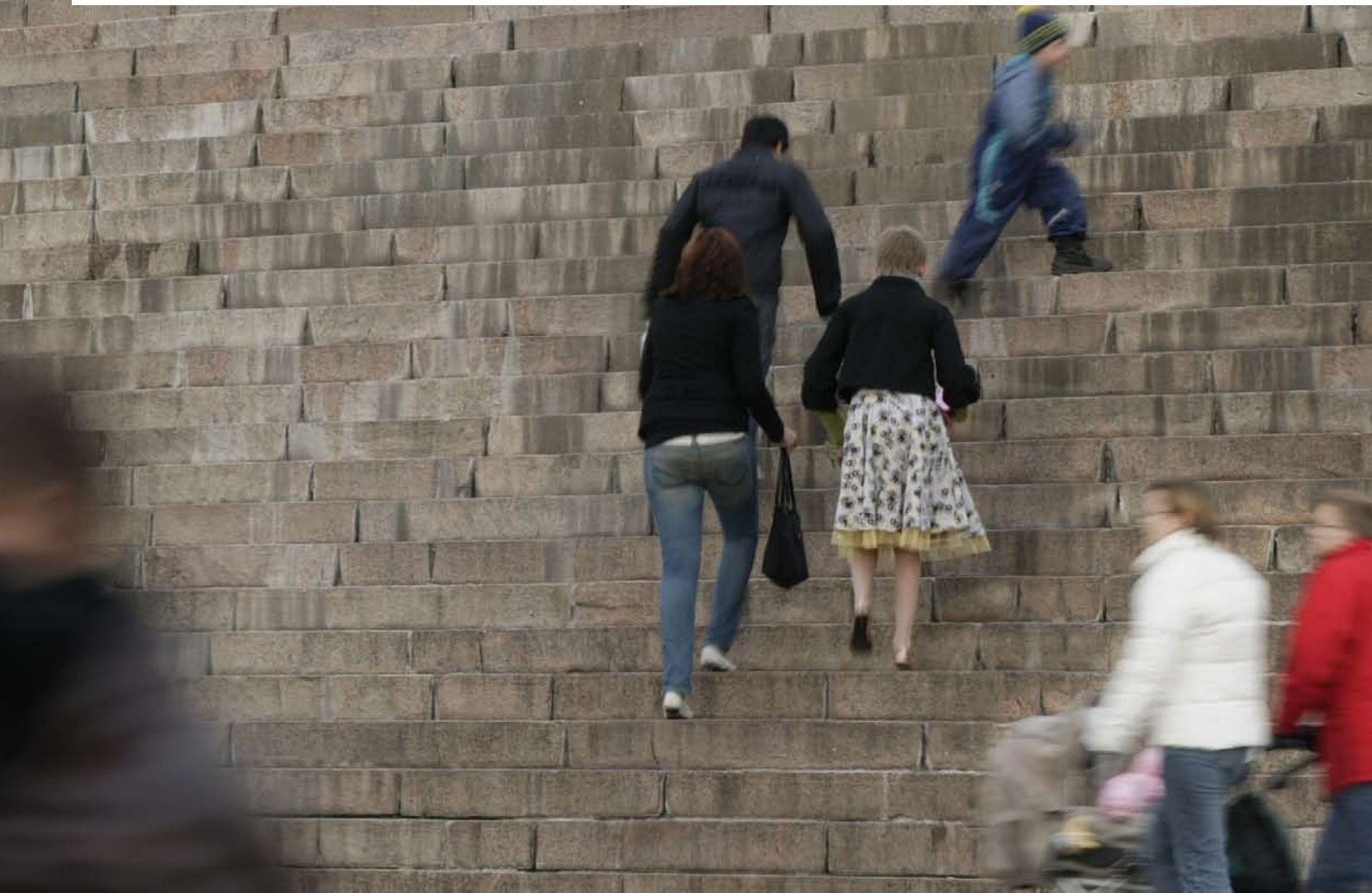
Population growth and aging

By 2025, the world's population will grow to 7.9 billion, the over 80s representing the fastest growing group. By 2050, the number of people over 60 years old will equal that of children under 15, for the first time.

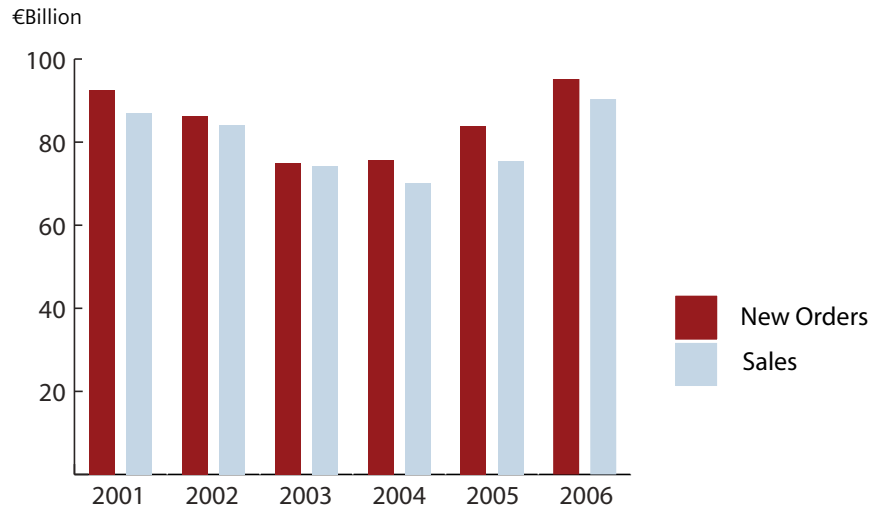
The population is aging in Europe, Japan, China and Russia in particular. The Finnish population should total 5.3 million by 2040, with 27 per cent over 65 and 15 percent under 15 years of age.

In Finland too, the proportion of pensioners will soon match that of the under 15s, over 65s representing 16 percent and under 15s totaling 17 percent of the population in 2005. This is the world's second highest ratio of elderly people after Japan.

Siemens' innovative products, systems, solutions and services, including partial and complete solutions based on them, will help meet the challenges presented by megatrends – urbanization, and population growth and aging. At the same time, our diversified expertise in infrastructure solutions will provide a host of business opportunities.



Siemens AG new orders and sales



Serving the customer in over 190 countries

Siemens AG is a world leader in electrical engineering and electronics. In 2006, it focused on growth and higher profitability, improving its net income by 35 percent and net sales by 16 percent. It spent €6.4 billion on corporate acquisitions in order to strengthen its position in the high-growth areas of energy, industrial automation and healthcare businesses.

For almost 160 years, Siemens' success has been based on long-term customer relationships, innovative technologies, an international presence and skilled employees.

Through its expertise in a broad range of fields, the company improves its customers' competitiveness and provides diversified technology solutions for challenging projects.

Customer benefits through an international presence

Operating in over 190 countries, Siemens is one of the world's most international organizations.

Its innovation network generates ideas and solutions in different countries to be exploited worldwide. An international presence also helps Siemens set

new technology trends, provide diversified expertise and deliver services in local languages.

Megatrends shaping the future

Global megatrends – urbanization, and population growth and aging – pose major challenges for mankind in power generation, water treatment, transport and healthcare services. For Siemens, the world's most versatile infrastructure solutions provider, this is an opportunity to contribute to all of our futures by providing important solutions for energy and the environment, automation and infrastructures, and healthcare.

Solutions through innovative technologies

The world needs innovative technologies to meet future challenges. During the year under review, Siemens spent €5.7 billion including R&D activities related to specific customer requirements on developing such technologies. The company is also a world-beating patent holder.

Siemens' innovations include the world's most powerful gas turbine, a piezo injection system, state-of-the-art medical imaging systems and virtual factories.

Siemens AG key figures

€M (US GAAP), except employees and patents	2006 ⁽¹⁾	2005 ⁽¹⁾
New orders	96,259	83,791
Sales	87,325	75,445
Net income	3,033	2,248
Net cash provided by operating activities	5,174	4,217
Net cash used in investing activities	- 4,435	- 5,706
Active patents, Sept. 30	62,000	53,000
Shareholders' equity, Sept. 30	29,306	27,022
Employees, Sept. 30	475,000	461,000

Continuing operations (excluding the discontinued mobile devices activities)
 (1) Fiscal year from October 1 to September 30

Major M&As

To ensure profitable growth and meet future challenges, Siemens is making major changes in its portfolio, the most notable being the planned acquisition of Bayer AG's Diagnostics Division.

Siemens aims to be an industry leader in all of its business areas. In fields in which it cannot capture top positions otherwise, Siemens seeks solutions such as partnerships.

During the fiscal year, Siemens and Nokia announced the combination of their mobile network operations through a 50–50 joint venture. Nokia Siemens Network, the third largest company on the market, will begin operating in the first half of fiscal 2007.

Siemens incorporated its Communications' enterprise business in late 2006.

Stronger IT expertise

Across the board, Siemens is seeking even better IT and software expertise. In January 2007, Siemens will bundle its worldwide IT solutions, IT services and software expertise into one Group, Siemens IT Solutions and Services (SIS). The Group, which will begin reporting in the third quarter of fiscal 2007, will

include Siemens Business Services and four software development companies.

This will enable industry-specific IT solutions and their integration with customers' business processes. In addition, the company will increase its focus on the development of solutions and services meeting customers' future needs.

Net sales and net income improved

In 2005/2006, Siemens AG (475,000 employees) reported net sales of €87.3 billion and improved its net income by 35 percent to €3.0 billion. Net sales rose by 16 percent and new orders by 15 percent.

The Middle East, Africa and CIS accounted for the strongest growth in net sales, while Asia-Pacific, especially India and China, also did well.

Almost all business areas reported improved earnings and are expected to meet their targets for 2007.

Revolutionary, adaptive materials

In nanotechnology, a certain atom or molecule can be manipulated to produce material with new properties, even atom by atom. Similarly, biotechnology uses cells and molecules for new raw materials, such as ceramics with the microstructure of trees. A third future research area will cover intelligent materials capable of adapting to various conditions, such as foils made from piezo fiber which attenuate vibration on car roofs.



Quality of life through innovations

Safeguarding a comfortable environment and meeting future challenges require new technologies. Siemens' business has been based on innovation for almost 160 years, approx. 62,000 patents representing a unique pool of intellectual property. Siemens AG's R&D expenditure will total 5.7 billion euros for the fiscal year 2006.

Siemens' R&D is seeking solutions to the challenges of growing urbanization and population growth and aging, as well as researching customer needs, future scenarios and the integration of various technologies.

Siemens AG is in the world's top ten in terms of investment, last year's R&D expenditure totaling €5.7 billion, or nearly 7 percent of net sales, outstripping the EU's research budget.

Unrivalled intellectual property

Last fiscal year, Siemens AG created 10,400 inventions, or more than 40 inventions per working day. The company's intellectual property is unrivalled, at 62,000 patents.

In 2005, it ranked third in international patent applications and second in Europe, and increased its patent applications in China by 125 percent.

International research with universities

Operating in 150 locations in 38 countries, Siemens' R&D has 48,900 employees worldwide.

In addition, our international innovation network involves hundreds of joint

projects with universities.

In Finland, Siemens is co-operating e.g. with the Technical Research Centre of Finland (VTT) in the development of a small and sensitive sensor chip for blood sample analyses and the early detection of cancer. We are also utilizing VTT's expertise in modernizing industrial production machinery.

Sales based on products and solutions under five years old

In line with its innovation strategy, Siemens is a trendsetter in developing new and widely deployable technologies. Scenario analysis, for example, is ensuring future technology leadership.

This diversified company's innovation strategy focuses on technology compatibility and integration, enabling partial and complete solutions benefiting the customer's business.

More than 75 percent of net sales come from products and solutions under five years old.

Technology platforms and new materials in focus

Siemens AG's R&D focuses on a variety of



Secured usability through remote maintenance

Higher usability is expected all over the world, whether for computer tomography, gas turbines or electric locomotives.

Remote maintenance services provide quick, cost-effective troubleshooting. Since modern communications technology enables complex networking, remote services may range from maintenance and software updates to plant process optimization based on real-time analyses, in addition to conventional data monitoring.

fields, with technology platforms, software modules applicable in various sectors and new materials at its core.

In the future, tailoring new materials atom by atom will be possible, and nanotechnology, biotechnology and adaptronics will form major research areas.

As innovation and development cycles shorten, competitiveness will require more flexible and faster production processes. For this reason, virtual design and digital technology will become more prominent.

With equipment and production plant availability growing in importance, remote management solutions will enable control of various systems around the clock, solving problems before they emerge.

More independent, intelligent and sensitive robots will perform a range of duties at reception desks, kitchens, hospitals and production plants.

Finally, to meet growing demand for energy, the world will need to use fossil fuels such as coal, gas and oil as efficiently as possible without harming the environment.

A networking and digitizing world

Software's increasing role in innovation will see it become ubiquitous, highly networked and easy to use.

Sensors, actuators and the associated software provide some systems with intelligence and identity. As systems become more independent, intelligent networking will play a key role in the future.

Moreover, highly advanced sensors will be able to detect microscopic particles or "smell" odorless gases.

In healthcare services, digital technology and networking will enable more effective treatment and lower costs.

Siemens' key research areas

- Remote services
- Medical imaging
- Materials research
- Software
- Clean energy
- Robots
- Telematics and other transportation technology
- Digital health
- Factory of the future
- Sensor technology
- Water treatment
- Intelligent networking



Energy and the environment

By 2020, global energy consumption may rise by over 70 percent, while surging energy demand increases fossil fuel use, feeding climate change.

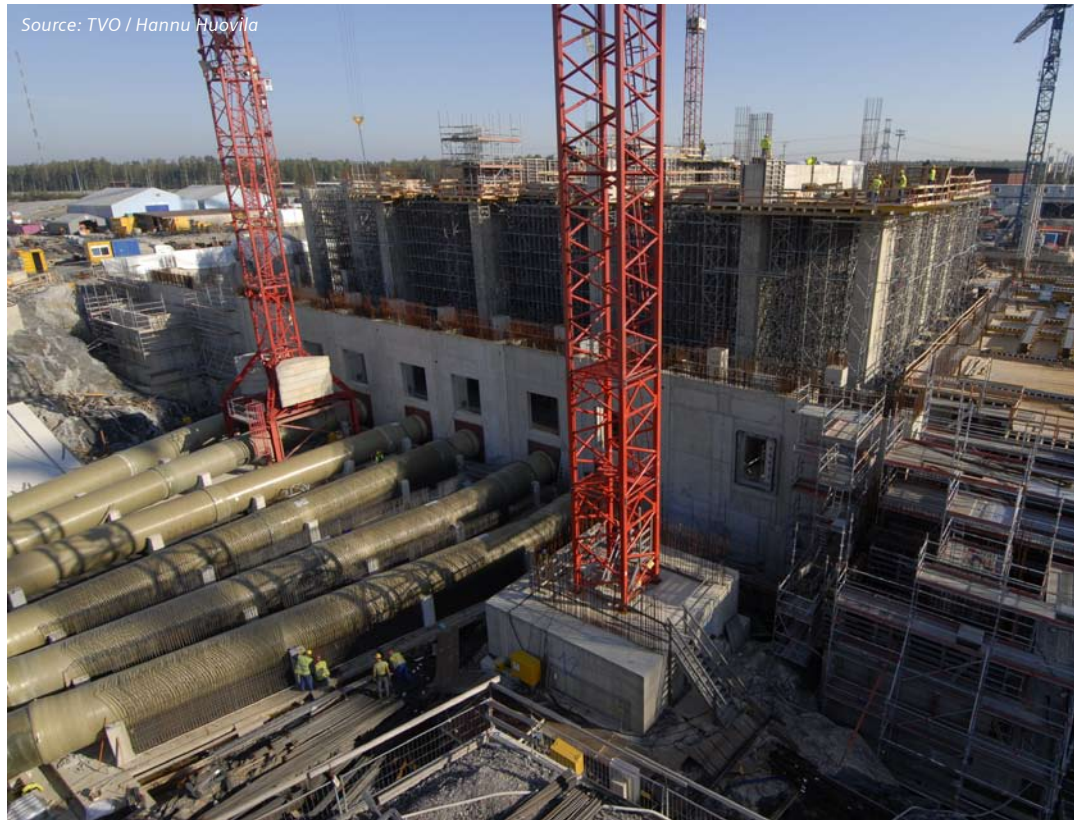
In response, we need to save energy and protect the environment, based on broader power generation options. Siemens provides a full range of wind power, hydropower, biomass, fuel cell and fossil fuel technologies. Power plants supplied by Siemens generate a fifth of the world's electricity. The company also supplies solutions for efficient power transmission and economical consumption.

Only three percent of the world's water reserves are drinkable, leaving 1.2 billion people without potable water. It is expected that within the next 50 years, 60 percent of the world's population will share their plight. Even now, rapid urbanization is increasing wastewater volumes and leaving around 2.4 billion people without access to sewage disposal systems.

The annual global market for water treatment and distribution, and industrial wastewater treatment, is worth €290 billion. With more than 1,500 patents, Siemens is the world's leading and most innovative water treatment expert.

A 400 kV substation for Olkiluoto 3

Siemens Osakeyhtiö is delivering a fully-equipped 400kV substation for Olkiluoto 3 to connect the new nuclear power plant unit to the main grid, including civil works. The substation will begin operating in 2008 and will be built in close proximity to the new nuclear power unit. Civil works and electrical installations will be completed in 2007. Siemens AG will provide a turbine island for OL3.



Energy

To meet growing energy demand,

the world needs new, cost-efficient and environmental technologies and solutions. Siemens provides versatile technologies for power generation, transmission and distribution.

Siemens' strengths in the energy business include constantly improving its expertise, a detailed understanding of its customers and a good local track record.

Power plants supplied by Siemens generate a fifth of the world's electricity, and the company is a leader in power plant planning, construction, modernization and services.

Liberalized electricity markets and the intensifying outsourcing of services have created new challenges in power transmission network maintenance and management. Siemens offers a wide range of systems, both as components and turnkey projects.

We also provide maintenance services. Securing the high, cost-efficient availability of power is the key maintenance task in power transmission and distribution. Siemens' maintenance service ensures optimal service intervals and helps customers to avoid investing in premature infrastructural improvements.

Our customers include municipal power utilities, industrial power producers, power utilities, grid companies and producers of basic energy.

Substation for Turku Energia on a turnkey basis

Siemens won a contract with Turku Energia for a turnkey extension project for the Pääskyvuori substation. After taking over the substation, Turku Energia's network will have a strong distribution point on a 110/10 kV network section and distribution capacity will be increased by 30 MVA.

Siemens and Turku Energia have been in cooperation for a long period, but this was the first time a substation was delivered on a turnkey basis.

The scope of the delivery includes 110 KV air insulated switchgear, medium voltage switchgear and a power transformer as well as miscellaneous auxiliary systems, several modifications, i.e. connecting the relay protection and automation system to the SCADA system. The project required the extension of the switchyard, a transformer basement renovation and extension works for the existing substation building as well as miscellaneous civil works.

Fingrid Oyj chose Siemens to renovate its substations in Loviisa and Elimäki-Koria.

Multiple technologies for power generation

Siemens supplies an array of technologies for power generation, transmission, and distribution. The company's achievements include the world's most efficient gas turbine, a new turbine blade design and a new, coal gasification technique which considerably reduces emissions. Siemens has delivered over 5,800 wind turbines.



Siemens Osakeyhtiö is responsible not only for the delivery of a 400 kV substation for Olkiluoto 3 but also the electrification of the turbine island. This includes low-voltage installations, light fittings and power outlets.

Turbine generator for UPM's Kuusankoski Plant

Siemens signed an agreement for the delivery of a new 113 megawatt back pressure extraction turbine to UPM-Kymmene's Kuusankoski pulp mill. This will generate process steam and electricity for UPM's local plant complex. The new unit will be taken into production in the spring of 2008.

Work is underway on one of Finland's largest construction projects, for a new pulp mill chemical recovery plant in UPM's Kymi industrial complex in Kuusankoski. In the project, two obsolete, inefficient and costly chemical recovery lines will be replaced by a single modern one. This will increase the utilization of biofuels and double bioelectricity production capacity. It will also reduce fossil fuel-based carbon dioxide emissions and improve energy-efficiency.

The fiscal year saw the completion of the four-year modernization of the Olkiluoto 1 and 2 turbine island's automation systems. Siemens also replaced medium voltage switchgear for both units.

Siemens concluded a plant automation agreement for Kvaerner Power, to be carried out in Lockerbie, Scotland.

Prospects

Energy sector investments will increase due to the new OL3 nuclear power plant unit. This will entail major reinforcement of the 400 kV transmission network in the near future.

More power plant projects are being planned, creating bright prospects in Finland.

Power generation

- Power plants
- Steam and gas turbines
- Industrial turbines
- Industrial compressors
- Power plant automation systems

Power transmission and distribution

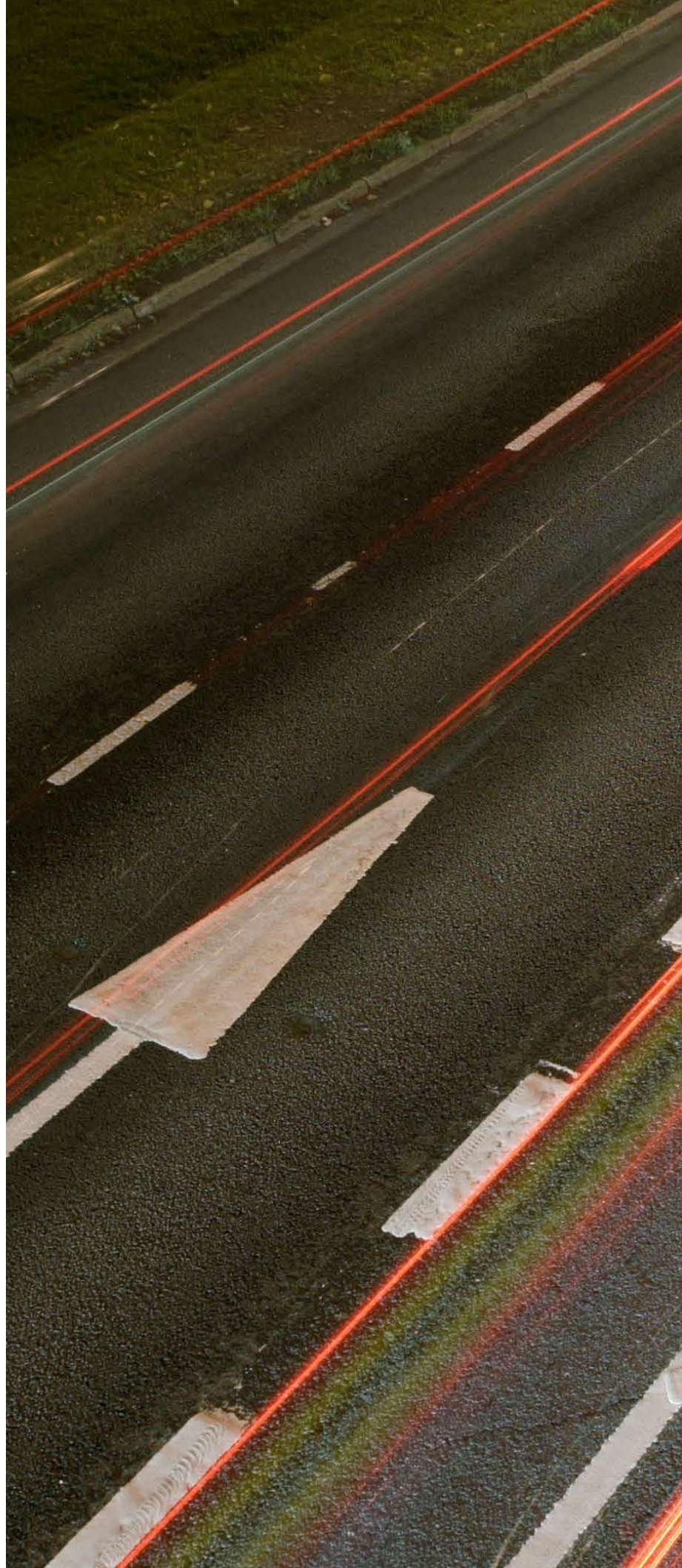
- Substations
- Industrial and power plant electrification
- Switchgear
- Protection and control systems
- Transformer substations, power transformers
- Remote control systems
- Power quality measurement systems

Net sales

In Finland and the Baltics €201 million
Global €17 billion

Employees

In Finland and the Baltics 261



Automation and infrastructures

As global population growth increases consumption, particularly of foods and medicines, industry must respond by producing more, higher quality goods. However, using diminishing raw materials to manufacture at reasonable prices will require greater efficiency.

Siemens is a world-leading supplier of industrial automation solutions. Our intelligent, Totally Integrated Automation concept, and the compatible products and systems, improve productivity cost-effectively and safely while looking after the environment.

Cities in particular are facing the challenge of constantly growing traffic, with congestion familiar to all city dwellers. Modern technology enables smoother and safer traffic by road, rail and at airports.

Siemens' solutions enable the safe movement of goods, data, capital and people in a networked world, providing the world economy with a safe and efficient operating environment. Siemens is the world's third largest supplier of security systems and a world-leading supplier of fire detection systems. Every fourth European commercial building is fitted out with Siemens fire detection system.

Totally Integrated Automation increases productivity

Siemens' Totally Integrated Automation (TIA) combines automation, electrical drives and low voltage equipment, in which all components are mutually compatible. With this solution, manufacturers can increase their productivity and competitiveness.



Industry

Different industry sectors benefit from Siemens' expertise, which enables an increase in their profitability and competitiveness throughout a production plant's entire lifecycle. We provide the full range of products, systems, solutions and services for industrial automation, electrification and instrumentation. In addition, all components are mutually compatible.

For industry, we provide both product and project-based offerings. Our customers include the process, pulp, paper, and metals industries for which we implement various partial and turnkey projects. Besides end customers, we do business with OEM manufacturers, panel builders, automation companies, retailers and electrical wholesalers.

We provide services ranging from production plant conceptual design and implementation to maintenance, based on outstanding international expertise and management of the entire lifecycle.

Siemens has continued to develop its customer relationship management in industry, especially cooperation with automation firms and in end-customer maintenance projects. Sales to SMEs have been shifted to retail channels in order to guarantee the best possible service.

Totally Integrated Automation

At Siemens, automation, electrical drives and low voltage equipment are based on our Totally Integrated Automation (TIA) concept, in which all components are mutually compatible. While bus systems and software solutions enable various

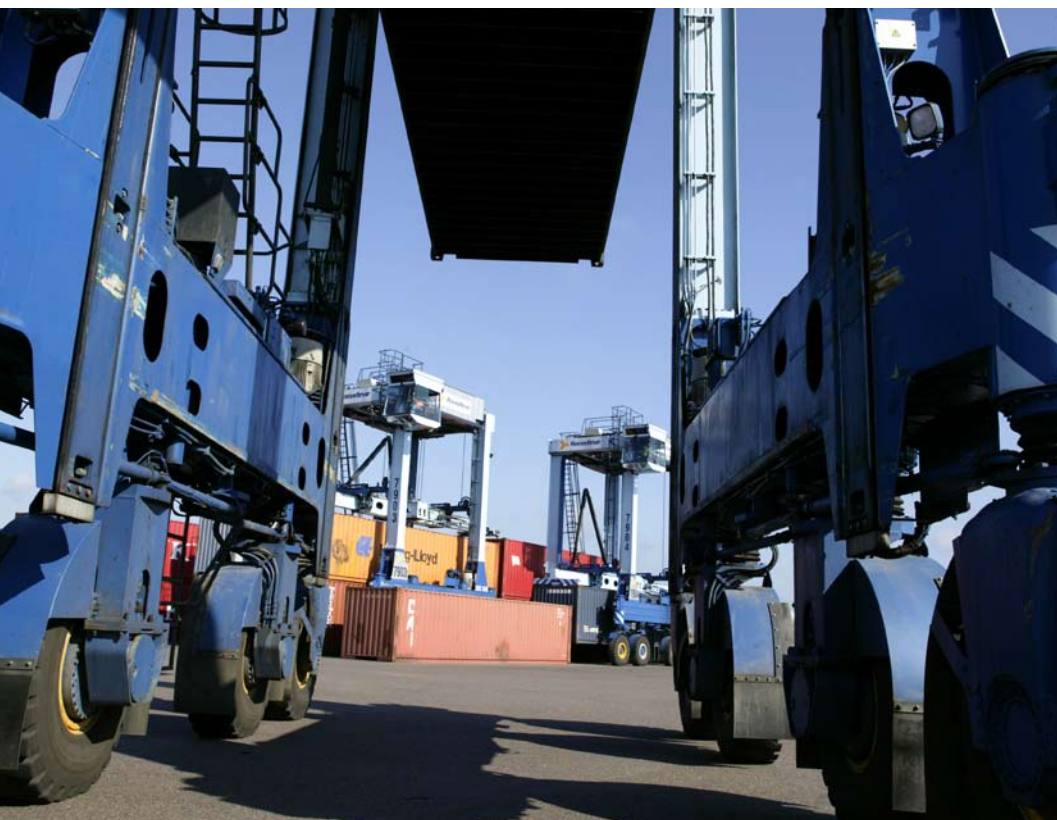
components to interact, shared databases and standardized software make projects easier. Siemens has a similar concept (Totally Integrated Power, TIP) in power distribution. TIP combines a building's power distribution equipment and systems into a compatible, cost-efficient solution which functions together with production and building automation.

The acquisition of Flender, a manufacturer of mechanical and electrical components for power transmission equipment, has given Siemens a more extensive drive technology portfolio. This turnkey portfolio ranges from motor control to gear units, clutches and axle drives for heavy-duty machinery.

Our industrial customer support and services ensure continuous production through the planning and implementation of maintenance processes. In addition, we perform system modernizations to prolong the useful life of machinery and improve safety and availability.

Automation project for Kalmar

The fiscal year saw excellent product sales, due to Finland's industrial export performance and additional orders from



Industrial products for port container handling equipment

In the industrial sector, product sales grew, particularly sales to manufacturers of port container handling equipment.

equipment manufacturers. In particular, sales improved to companies which manufacture container handling equipment for ports, such as Kalmar Industries Oy Ab and KCI Konecranes Corporation. Major projects included the automation of Kalmar Industries' container terminal in the Port of Hamburg.

Siemens also provided a PCS7 process automation system and instrumentation for Saint Gobain Isover Oy's fiber glass plant in Yegorievsk, Russia. This is an extension project for production line 2.

Converters for Rautaruukki

During the fiscal year, we signed a contract to supply a Sinamics converters to Rautaruukki Corporation's Raahe plant. Its quenching plant will receive frequency converters and converter equipment. In addition, the power distribution cubicles of the hot rolling mill have been modernized. Siemens will also modernize Luvata Pori Oy's automation and control system for its slitting line. Turning to the paper industry, we finalized the modernization of sectional drives of PK8 and calenders for UPM-Kymmene Group's Tervasaari paper mill.

Maintenance agreements

In the year under review, Siemens focused on industrial maintenance agreements. For example, we concluded a SIMAIN service contract covering over 200 items of automation equipment, from control devices to computers, with Ovako's Koverhar factory. Our service is easily available thanks to our Servicedesk approach, using ITIL processes familiar from the world of IT.

Prospects

The outlook for industry is very encouraging, with strong exports forecast.

In cooperation with its partners, Siemens will pay particular attention to the processing industry in the field of industrial automation. The food industry is one of the focus areas in the future.

Products

- Automation systems and equipment
- Field devices
- Machine tool automation
- Converters
- Low voltage switchgear
- Mechanical drive equipment and motors
- Industrial IT systems
- Security systems
- Installation accessories

Projects

- Technical expert services
- Process automation projects

Training

Net Sales

In Finland and the Baltics €152 million
Global €22 billion

Employees

In Finland and the Baltics 180

Fire detection system for Stockmann

Spring 2006 saw the launch of a large-scale extension and refurbishment project for Stockmann Oyj's main department store, the Nordic region's largest, in the center of Helsinki. Siemens modernized the fire detection system, having produced Finland's first electric fire alarm system, installed in the Stockmann department store at Senate Square in 1913.



Building Technology

Buildings should be economical, energy efficient and provide a comfortable environment as their security solutions protect people, property and businesses. Siemens' intelligent building automation, fire protection and security systems help meet such requirements. The company has a leading position in the world's building technology market.

Siemens Building Technologies supplies building automation systems and maintenance services, air conditioning and ventilation adjustment and control systems, OTN (Open Transport Network) networks, burglary prevention, access control, video surveillance systems, fire detection systems and maintenance services.

We deliver products for the adjustment, control and monitoring of a building's burner systems, heating, ventilation and air conditioning equipment, such as valves, actuators, heating and air conditioning controllers and sensors. Siemens boasts the widest product range in the industry.

Our major customer segments include industrial and commercial buildings, shopping malls, hotels, and public buildings such as hospitals and universities.

Energy efficiency

While the indoor climate of buildings plays an important role in people's and buildings' wellbeing, energy use must be more efficient and environmentally sound.

Siemens modernized building automation for over 80 real estates belonging

to Kiinteistö Oy Kajaanin Pietari, a company owned by the Town of Kajaani with 3,000 rental apartments. This project utilized the Desigo Insight system, the latest building maintenance and management technology, and Siemens EMC software for energy monitoring and control. Active energy use monitoring resulted in rapid, major energy savings.

In addition, this project included a service agreement for integrating the building automation system with the Siemens Service Center, as a web-based service.

Other building automation projects during the year included Helsinki University's Zoological Museum, now under renovation, and the buildings of Omnia, the Joint Authority of Education in Espoo Region.

Fire detection system in Finland's largest prison

As the world-leading manufacturer and supplier of fire detection and safety systems, in Finland Siemens is actively involved in the development of fire safety within various organizations in the field.



Energy savings of 15–20 percent

With greater need for comfortable surroundings and economical energy use, technical solutions will account for a larger share of building and lifecycle costs. In various buildings, building automation systems, equipment and services meet such energy efficiency needs. If properly run, an optimally tuned building automation system can deliver energy savings of 15–20 percent.

During the year under review, we agreed to supply a new-generation fire detection system to Finland's largest and most modern prison, which is under construction in the City of Turku.

Siemens has supplied fire detection systems to the majority of Finnish prisons, which set special requirements for fire safety.

In more challenging buildings, conventional fire detectors are often tripped by dust or water particles. By contrast, Siemens' new-generation smoke detector, which will go into the new Turku prison's cells, can even identify steam as a non-triggering factor.

In addition, we will deliver a Siemens FibroLaser linear heat detector system to Posiva Oy, to be used deep in the underground repositories of the Olkiluoto plant in Eurajoki, for the final disposal of spent nuclear fuel.

Security through OTN

In addition to Bewator's control solutions, Siemens' security business comprises fire detection systems and OTN communication networks, such networks being secured through being limited to

certain user groups. We delivered an OTN to the Finnish security authorities, and Kalmar Industries Oy Ab purchased one for the management of port crane systems.

Prospects

Construction prospects look favorable over the next few years, growth being sustained e.g. by buoyant industrial and commercial construction. Population migration and new residential construction will also play their part. Office construction will increase in the Helsinki area and renovation projects will continue their steady growth.

In building automation, we will continue to focus on increasing our share of the maintenance and service business, and will reinforce our partner network.

Building automation

HVAC products

- Heating
- Ventilation
- Air conditioning

Security systems

Fire detection systems

Net sales

In Finland and the Baltics €40 million
Global €5 billion

Employees

In Finland and the Baltics 173

Versatile IT solutions for more efficient processes

Inex Partner Oy's logistics center has one of Europe's largest pick-by-voice systems, supplied by Siemens on a turnkey basis.



IT Solutions and Services

Our global expert network, technological excellence and Finnish expertise provide our customers with prime quality, and cost-saving IT solutions and services. In Finland and the Baltics, Siemens is the leading provider of SAP solutions and services and a major provider of IT hosting services.

During the year under review, the Finnish IT market slightly outpaced average economic growth, through greater demand for outsourcing services and the launch of new IT projects, such as enterprise resource planning (ERP) system implementation.

IT Solutions and Services has invested heavily in both its strong SAP competencies and Microsoft and outsourcing expertise. Our service offerings met market demand.

We offer ERP systems, information management, procurement, logistics and customer relationship management solutions, systems integration, infrastructure, applications and hosting support services, and outsourcing and information security solutions.

UPM and Metso Minerals outsource to Siemens

Siemens ranks among Europe's five largest IT outsourcing service providers.

In Finland, the company strengthened its supplier position in this field. Finnish companies operating in the international market showed a keen interest in our services, whose competitiveness is based on

our global service network, technological excellence and Finnish expertise.

UPM-Kymmene Corporation outsourced to Siemens its shared IT infrastructure services and user support within its information management. Siemens will serve 30,000 UPM employees worldwide. This agreement covers shared data center services, such as server environment management, monitoring and application operation services, as well as user support services via the global service desk.

Elisa Corporation outsourced its procurement system processes to Siemens, which had supplied Elisa with a procurement system in 2005, and is providing the related user and support services. This new agreement has extended the range of Siemens' services to the development, maintenance and operation of procurement system processes. Eight Elisa employees joined Siemens' payroll.

We concluded a four-year agreement with Metso Minerals Oy for IT services, ranging from SAP environment application support services, application management services, maintenance, small-scale development and administra-



Source: M-Real

IT cooperation with the forest industry

UPM has outsourced its shared infrastructure services and user support to Siemens. We provide 30,000 Stora Enso employees with e-mail services. Moreover, while Myllykoski Corporation has agreed to outsource its IT, Siemens has partnered M-real in the implementation of an e-procurement solution.

tor consulting. Siemens provides services worldwide on a 24/7 basis. This SAP environment will support 1,300 users.

ERP for Kela

Long experience, specific expertise and in-depth understanding of the customer's business form the core of our solutions business. With over 300 IT and process consultants in Finland and the Baltics, we have implemented ERP systems for many large corporations and organizations. The fiscal year saw a special emphasis on public administration.

We signed an agreement for an ERP system with the Social Insurance Institution of Finland (Kela), valued at a maximum of €10 million. Implemented during 2006–08 and replacing around 40 old application and information systems, the project aims to streamline Kela's resource and work planning management, financial, human resource and procurement processes.

Prospects

The Finnish IT market is expected to outstrip the economy as a whole, with outsourcing services continuing to out-

perform others. Demand for consulting is also expected to rise.

We will develop industry-specific solutions to be used as the basis of new customer solutions more easily, rapidly and efficiently.

Finland and the Baltics boast one of Siemens' fastest growing IT service centers. We will make more efficient use of expertise shared by Finland and the Baltics in all four countries' customer projects and utilize Siemens' international service network in IT service provision.

At international level, IT Solutions and Services focuses on the same sectors as other Siemens business areas. Our diversity and broad customer base give us a competitive edge based on our strengths in industry, energy, telecommunications and public administration. We also aim to support other Siemens business areas through IT expertise, since IT forms an integral part of our solutions.

Business solutions

- IT and process consulting
- Systems integration

IT infrastructure services

- Hosting services
- User support services
- Application management

Outsourcing

- Partial or full outsourcing

Net sales

In Finland and the Baltics €41 million
Global €5 billion

Employees

In Finland and the Baltics 375

A wireless broadband solution for Digita

Digita Oy and Siemens signed a framework agreement for building a nationwide wireless broadband network based on flash-OFDM technology and 450 MHz frequencies. At the outset, the network will cover major cities and most of Lapland.



Communications

Extensive research and development, global experience and voice and data communications expertise ensure efficient, cost-effective telecommunications solutions. In order to ensure future competitiveness in communication businesses Siemens has decided to initiate major arrangements to further develop its businesses.

Due to the high growth of broadband penetration in Finland, the internet has become an everyday channel for services over the network and digital media. Accordingly, broadband subscriptions and data volumes continue to grow.

We agreed to supply Elisa Corporation with a next generation broadband network based on Ethernet technology and involving ADSL2+ connections, providing users with higher speed connections.

Attractive wireless broadband

Interest in wireless broadband solutions is also increasing, this technology now being ready for commercial networks and services. Siemens was the first major manufacturer to receive certification for the compatibility of its WiMAX solution. In April, 2006 Siemens closed also the first WiMAX deals, in Finland.

Siemens signed a framework agreement with Digita Oy for extensive co-operation in building a nationwide wireless broadband network based on flash-OFDM technology and 450 MHz frequencies.

Competition focusing on services

Finland has permitted bundled sales of 3G mobile subscriptions and handsets, boosting the roll-out of 3G networks. Intense competition between operators is now shifting from prices to services.

In broadband services operators continue to provide consumers with more efficient broadband connections with higher speed. Connecting homes to fiber-networks based on the Fiber to the Home concept is making gradual progress, enabling high transfer capacity services, such as video. Siemens offers service platforms enabling the easy planning and introduction of services in various networks. We have also developed ready-to-use services and service integration, such as IPTV solutions.

The amount of data transferred over networks continued its strong growth. Operators have increased their backbone network capacity and Siemens has agreed to deliver optical DWDM networks to the Finnet group and TeliaSonera. Modern optical transmission networks are meeting the challenges of increasing data volumes, through higher speed and usability.



PAXB for Rautaruukki as a hosting service

Siemens signed a five-year hosting service agreement with Rautaruukki Corporation for an IP-based solution to be adopted by Rautaruukki's 39 offices and sites, with around 6,000 users.

Communications solutions for mobile work

With the integration of IT and voice solutions underway, voice has become an IT application purchased as part of a total solution. In addition, IP-based solutions continue to account for a greater share of corporate voice solutions. Siemens' strong expertise in IT and telecommunications enables customers to phase in IP technology at their own pace while exploiting old technology. The company is Finland's number one supplier of VoIP solutions.

Companies increasingly prefer ASP voice solutions. Accordingly, Siemens has signed a five-year hosting service agreement with Rautaruukki Corporation for an IP-based PAXB with around 6,000 users.

Against a background of growing demand for mobile work efficiency, integration of the IT environment and voice solutions is enabling effective presence and reachability status applications. WLANs allow wireless data transfer within companies, allowing mobile work in various environments. Siemens is determined to develop solutions supporting mobile

work and the easy and efficient integration of reachability and the application environment.

Prospects

Corporate transactions applying to Siemens Communications are underway. The aim is to create a financially and technologically more competitive organization capable of meeting the needs of demanding customers.

Siemens' carrier-related operations are expected to merge with Nokia's Networks Business Group in the first half of fiscal 2007, to form Nokia Siemens Networks.

Finland's enterprise solutions business was transferred to an independent company, Siemens Enterprise Communications Oy, in December. Wholly owned by Siemens, the subsidiary will continue to provide solutions and services which increase customers' productivity, profitability and growth.

Our carrier-related operations

are to join Nokia Siemens Networks, a joint venture owned by Siemens and Nokia on a 50–50 basis.

The enterprise solutions business

transferred to Siemens Enterprise Communications Oy, an independent company wholly owned by Siemens.

Net Sales

In Finland and the Baltics €108 million
Global €13 billion

Employees

In Finland and the Baltics 176

Telematics for motorway E18

Siemens' project for the Lohja-Beltway III stretch of the E18 includes traffic and weather surveillance solutions and traffic management equipment. It is also providing the related interoperative systems and their cabling and power supply. In addition, the firm will supply road weather stations, control room display system equipment, computers and automation.



Transportation

Due to increasing traffic volumes, safe and efficient rail and road traffic are becoming more important. Siemens is a comprehensive provider of both rail and road traffic products and solutions. We rank among the world's top three turnkey providers of rail traffic solutions. Our extensive product portfolio also includes automotive traffic and parking systems.

Siemens is continuously developing new signaling technologies for rail traffic. For road traffic, it offers telematics solutions which gather road use information from roadside measuring points. Such information is used for remote control traffic direction and management, thereby increasing traffic safety and smoothing the traffic flow.

In addition, Siemens experts carry out turnkey projects, project management, commissioning and maintenance services in the traffic technology sector.

Modernization of rail traffic control system

Siemens Osakeyhtiö is modernizing the Finnish Rail Administration's southern Finland rail traffic control system, rendering traffic management easier and more efficient.

The project will connect Helsinki and Riihimäki, which previously had their own control systems, to the southern Finland system. The new system, to be completed in 2010, will monitor and control centrally defined points, signals and

track sections.

It includes automatic incident detection and guidance on how best to manage traffic disruptions.

Telematics for motorway E18

Telematics is the current solution for road safety and smooth travel, since it takes account of weather and traffic conditions.

We have agreed to supply the Finnish Road Administration with an adaptive traffic signal system and traffic and weather surveillance equipment on the motorway E18 between Lohja and Beltway III. This turnkey project, covering a 35 kilometer stretch, will provide 8 meter wide, overhead signs which flash information on road conditions and traffic disruptions.

Previously, Siemens has equipped the Turku-Muurla stretch with around 180 electronic message signs. Later, data communications and cameras from the Lohja-Beltway III stretch will be integrated with the data communications network and camera management system on the Turku-Lohja route.



Traffic management system for Vuosaari Harbour

Siemens' system will handle traffic control in both normal and problem situations. Based on the weather conditions and the traffic, it will control speed limits and warn motorists about traffic jams, dangerous conditions and low visibility. During road maintenance or accidents, the Road Administration will therefore be able to implement the measures planned for such situations.

Traffic management system for Vuosaari Harbour

Siemens Osakeyhtiö will supply the Finnish Road Administration with a traffic management system for Vuosaari Harbour's feed roads. The Porvarinlahti road tunnel, Satamatie and the connected road network will be included, and the project will be completed in the summer of 2007.

Equipping the 1.6 km Porvarinlahti twin-tunnel construction with a traffic management system is an important part of the project. This includes an automatic incident detection system, alerting controllers to slow traffic or blockages and obstacles posing a danger on the road. Visual monitoring will be based on remote controlled rotating cameras, backed up by an 88 speaker PA system for instructing motorists.

In addition, Siemens will provide road weather stations, vehicle counting equipment, electronic speed limit and warning signs, lane signs, traffic lights and other variable signs.

Prospects

The Finnish rail network continues to need investments and maintenance. For this reason, new projects are being implemented every year, based on the Rail Administration's investment program.

Such investment will focus on train and metro projects in Helsinki.

Furthermore, putting out track maintenance to tender will create new opportunities for Siemens.

The company also seeks growth through stand-alone, turnkey road traffic projects.

Rail traffic

- Operations control systems
- Automated train control (ATC) systems
- Electrification systems and components
- Signaling systems
- Rail communications systems
- Rolling stock: trains, metro trains, trams, locomotives

Road traffic

- Message signs, traffic management and remote monitoring systems
- Tunnel control systems
- Toll collection systems
- Traffic telematics
- Parking systems
- Traffic light systems

Net Sales

In Finland and the Baltics €26 million
Global €15 billion

Employees

In Finland and the Baltics 28

Healthcare

A growing, aging population presents challenges to healthcare services. Forecasts see healthcare costs in industrialized countries soaring by almost one trillion euros from 2002 to 2010.

To meet this challenge, the healthcare sector will need ever more effective technologies and processes, such as IT solutions enabling cost savings.

Siemens is a leading provider of imaging systems, hearing technology solutions and IT healthcare. Based on corporate acquisitions, the company has also significantly strengthened its position in molecular diagnostics.

Faster, more accurate imaging

By the end of 2006, Siemens had delivered 150 sets of its new Somatom Definition computer tomography equipment around the world. This is the world's first such equipment to use two X-ray sources and two detectors. These enable faster, more accurate imaging with the highest quality and detail to be used e.g. in cardiac diagnosis.



Healthcare Technology

Siemens provides products, solutions and services for integrated healthcare technology. These range from innovative technologies for precise diagnoses and treatment, to services which optimize processes and improve efficiency. Thus we are also helping to decrease healthcare costs.

Our healthcare IT systems take account of clinical workflow and automatic procedure management. Long-term savings will be achieved once IT integration issues are also taken into account in clinical workflows.

Siemens provides healthcare solutions that transfer information from patient systems to hospital data systems to enable faster, more precise treatment. Using these, hospital capacity utilization can be followed in real-time, optimizing workflows.

A common user interface between our systems facilitates the work of healthcare staff.

During the fiscal year, Siemens performed especially well in angiography system sales, e.g. to the Hospital District of Helsinki and Uusimaa's (HUS) Meilahti and Peijas hospitals. A further two each

were sold to Kuopio University Hospital and Turku University Hospital.

Furthermore, native DDI systems were sold to the University Hospital of Tampere, Kanta-Häme Central Hospital, HUS Jorvi Hospital and Pietarsaari Hospital.

Magnetic imaging systems are being delivered to HUS and Turku University Hospital.

Siemens is the market leader in medical imaging systems in Finland. Swedish-based Siemens AB's Medical Solutions group is responsible for healthcare technology sales in Finland.

Prospects

This business' prospects look bright, since hospitals are investing in computer tomography and magnetic imaging systems in particular. Our consulting business is also growing.

In general, imaging and IT systems will be further integrated, providing the customer with seamless compatibility. Moreover, different kinds of imaging will be combined more than previously.

Imaging Systems

Information Systems

Technical UPTIME services

Net Sales

In Finland and the Baltics €43 million
Global €8 billion

Employees

In Finland and the Baltics 62

Source: Fujitsu Siemens Computers



Other Siemens companies

Products and services of other Siemens companies in Finland complement Siemens' versatile solutions. Financial Services, the lighting company Osram and security provider Bewator are global, wholly owned Siemens companies. Other Siemens players in Finland are Fujitsu Siemens Computers Oy and BSH Kodinkoneet Oy, in which Siemens holds a 50 percent share globally.

Siemens Financial Services AB

Siemens Financial Services AB's Finnish branch is part of the global Siemens Financial Services Group, and provides financing solutions for its partners in the healthcare, industry and office technology sectors. Partners include Siemens companies and business units, as well as numerous outside companies and partners in the industry and office technology sectors. The company provides e.g. leasing finance solutions for the purchase and replacement of computers, telephone systems, medical equipment, office equipment and production lines or parts of them.

In 2006, the company won orders of around €64.1 million and employed 25 people in Finland.

Oy Osram Ab

Osram's products include various lamps, light emitting diodes (LEDs), electronic connectors, and lighting for professional and home use. The company's customers comprise electrical wholesalers, central grocery stores and lighting and equipment manufacturers. Sales grew to €27.7 million i.e. 5 percent on comparable sales for the previous year.

At the period end, Osram had 21 employees, 3 more than in 2005, recruited in Estonia, Latvia and Lithuania.

Sales rose slightly above the market average in Finland and markedly above the market average in the Baltics, improving Osram's market position. Sales grew most in LED lighting and modules, car lights and halogen and multimetall lamps.

As it becomes more efficient, LED lighting is expected to become more widespread in the near future. Energy-saving and halogen lamps will also continue to claim market share from traditional products. Osram celebrated its 100th anniversary in 2006.



Bewator Oy

In Finland Bewator Oy is a leading provider of security technology systems, such as Sesam, Secal, Bewator Flexim, Bewator 2010 and Bewator Entro. The company also sells Siemens' video surveillance products and systems, and intruder alarm systems. It is owned by Bewator Group, the world's leading provider of access control, video surveillance and integrated security solutions.

For the nine month period ending September 30th, 2006, Bewator Oy's net sales totaled €6 million and it had 47 employees. Net income grew by six percent compared to the same period a year earlier and the company's profit margin grew. Bewator Oy's strategy is to win even more market share in the growing security technology markets. Product development and customer service are the focus areas of the company.

Part of Siemens Building Technologies, Bewator provides access control and security expertise globally.

www.bewator.com

Fujitsu Siemens Computers Oy

Fujitsu Siemens Computers provides workstations, portable computers, palmtops, tablet PCs, server hardware and storage systems. Customers include companies and other organizations, the public sector and consumers.

Fujitsu Ltd and Siemens AG each own 50 percent of the company, which ended the period on March 31st, 2006 with record net sales of €6,646 million and a net profit of €85 million.

The Finnish sales company's net sales grew by 18 percent to €194 million, and the business volume by 18 percent. It came second in the Finnish PC market and sales grew in mobile computers and server products in particular.

Fujitsu Siemens Computers will continue its strategy of focusing on sales of portable terminals and server system solutions. A third strategic business area is the digital home, and the associated products and solutions.

www.fujitsu-siemens.com

BSH Kodinkoneet Oy

BSH Kodinkoneet Oy imports, markets, sells and services Siemens, Bosch and Gaggenau household appliances. Net sales for 2006 were approx. €58 million and the company had 35 employees.

Its retailers include those selling domestic appliances and fitted kitchens, and construction firms.

The domestic appliance market grew during the fiscal year. Sales of BSH in Finland grew by 14 percent on a year earlier. High-end domestic appliances and fitted appliances generated the focus of such growth. BSH has also addressed the sale of small appliances and greatly increased its share of the small appliance and vacuum cleaner market. Exports to the Baltics grew steadily.

www.bsh-group.com

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FI-90570 **Oulu**

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FI-33800 **Tampere**

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AS Siemens Electroservices
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Marupes pag.
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www.siemens.lv

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Siemens Medical Solutions
Siemens AB i Sverige filial i Finland
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Finland

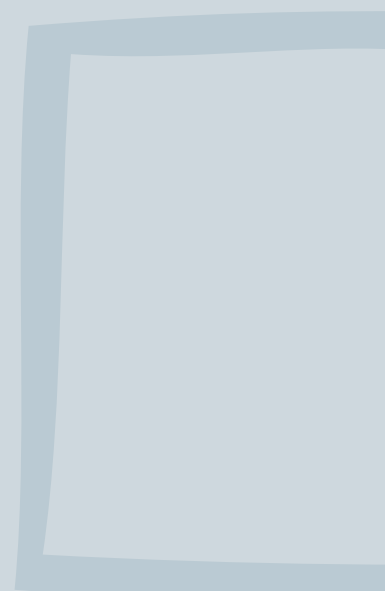
Financial Statements

www.siemens.fi

SIEMENS

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Our Vision

- Technology leader in the global electrical industry.
- Attractive to the best and brightest in the world. Its employees are proud of their company.
- A growth company that provides every customer with the highest sustainable value.
- One of the most valuable companies in the world.
- Committed to an ambitious value code: Humaneness, equal opportunity, strict ethical standards in all business dealing.
- One of the world's most successful companies in the electrical industry. Numer one or two in all of its businesses.

Management

CEOs of the Baltics Subsidiaries

Avo Tihamäe

CEO, AS Siemens, Estonia

Martti Kohtanen

CEO, Siemens SIA, Latvia

Audris Barcevičius

CEO, UAB Siemens, Lithuania

Management Board of Siemens Osakeyhtiö

Henrik Gayer

CEO

Michael Eidam

CFO

Jussi Grönholm

Business Group Director, IT Solutions and Services

Pertti Huhta

Business Group Director, Energy and Transportation

Nina Jankola

Director, Human Resources

Petteri Kleemola

Business Group Director, Communications

Tapio Lautsi

Director of Major Account Sales

Juha Lehtonen

Director, Corporate Strategy and Development

Mauri Silfverberg

Business Group Director, Automation and Drives

Jaakko Tennilä

Business Group Director, Industrial Solutions and Services

Board of Directors

Henrik Gayer, chairman

CEO

Michael Eidam

CFO

Dr. Edgar Wittmann

Siemens AG, Director

Supervisory Board

Kimmo Kalela

Industrial Counsellor

Dr. Thomas Ganswindt

Siemens AG - Executive Vice President

Director Manfred Dönz

Siemens AG - Director

Kari Jordan (until Dec. 31, 2005)

Metsäliitto Group - President

Professor Olli Martikainen

University of Oulu / Associate Research Fellow - ETLA

D.Sc (Tech) Kalevi Nikkilä

Timo Rajala (from Nov. 28, 2005)

Pohjolan Voima Oy - President and CEO

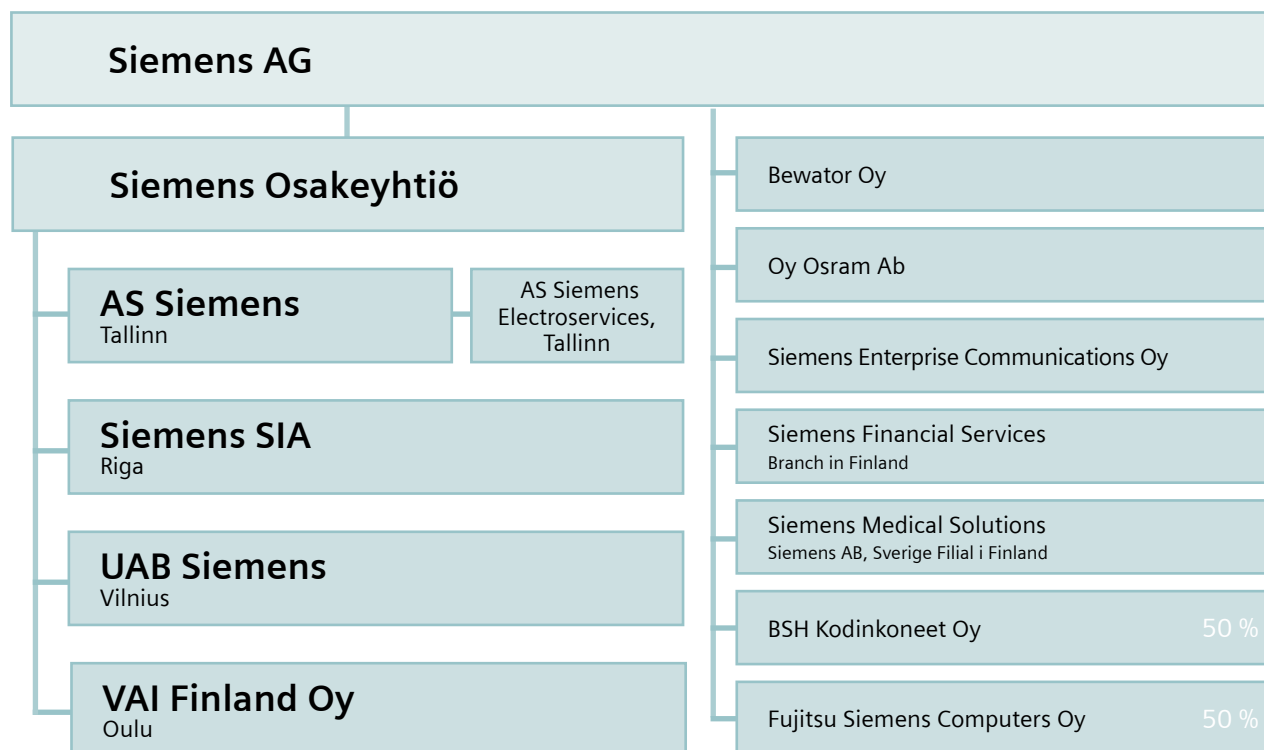
Key Figures

Siemens Osakeyhtiö Group

M€ (US GAAP)	2005/2006	2004/2005	2003/2004	2002/2003	2001/2002
New orders	432	438	404	357	415
Orders on hand	249	185	119	90	117
Invoicing *	408	387	403	398	454
Net sales	365	376	383	382	410
Income before taxes	19	24	28	27	22
as % of net sales	5.2	6.4	7.2	7.0	5.4
Balance sheet total	142	136	157	142	141
Investments	4	4	5	4	3
Employees Sept. 30	1,419	1,443	1,426	1,262	1,363

* Invoicing = turnover+ turnover from commission sales

Company Structure



Siemens Osakeyhtiö Group

Board of directors' report for October 1, 2005 to September 30, 2006

Business environment

During the fiscal year, Finland's GDP continued to grow more briskly than the previous year and is predicted to increase by 4.6 percent. In particular, exports, capital spending in the manufacturing industry, engineering and the energy sectors, and demand for outsourcing solutions, were on the rise.

Rapid economic growth continued in Estonia, Latvia and Lithuania, where our subsidiaries operate, with Estonia and Latvia forecast to record GDP growth of over 10 percent in 2006. Lithuania's GDP should grow by around 8 percent compared to 2005's level.

New orders and net sales

Orders received by Siemens Osakeyhtiö Group fell by one percent on the previous year's level, to €432 million. This was due to the sale by Siemens AG of its mobile phone business, and major orders in the Baltics during the previous year for power plant maintenance and transportation systems. Strongly growing demand for outsourcing solutions, and active demand for industrial automation solutions, power transmission and distribution, and healthcare technology in the Baltics, were balancing factors.

Net sales fell by around 3 percent to €365 million, mainly due to the sale of the mobile phone business which affected net sales both in Finland and the Baltic countries. Net sales in comparable terms were up 8 percent.

Profit

Group profit before taxes came to €18.8 million, 22 percent less than the previous fiscal year, accounting for 5.2 percent of net sales.

This fall was again due to major investments in hosting and outsourcing services.

Financial forecasts for the new fiscal year

The Board expects improved orders and net sales during the new fiscal year. New orders and net sales will also be increased by mergers in Finland in the wake of international business acquisitions. Divesting the telecommunications business will reduce the size of the company's business.

Capital expenditure

Siemens Osakeyhtiö Group's capital expenditure totaled €4.0 million, focusing on information systems.

Financing

Siemens Osakeyhtiö Group's net cash provided by operating activities was €14.9 million. Based on favorable business developments, we expect the company's financial position to remain stable in the new fiscal year.

Proposal by the Board of Directors for disposal of profit

The Board proposes that €11,200,000 in dividends be distributed from the profit for the last fiscal year.

Mergers and acquisitions

Finland was affected by international corporate transactions. Due to acquisitions by Siemens AG, Siemens Osakeyhtiö acquired Flender Oy's share capital and the companies merged on September 30, 2006. Siemens bought the share capital of VA Tech Group's Finnish subsidiary, VAI Finland Oy, in October 2006. This company

will be merged with Siemens Osakeyhtiö by March 2007.

Computer services was sold off during the spring of 2006. Siemens AG's carrier-related operations and Nokia's telecommunications Network Business Group will be merged in 2007, to create a new company, Nokia Siemens Networks Oy. On December 1, 2006 the enterprise solutions business was transferred to the new Siemens Enterprise Communications Oy, an independent company wholly owned by Siemens.

Bewator Oy, Bayer Healthcare Diagnostic Division and Diagnostic Products Corporation will continue for the time being as independent companies in Finland.

The company is not engaged in any major R&D.

Employees

Siemens had 1,419 employees, with 918 in Siemens Osakeyhtiö and 501 in the Baltic subsidiaries.

Management

There were no major changes to the management of Siemens Osakeyhtiö. The CEO is Henrik Gayer.

Corporate governance and auditors

Membership of the company's Supervisory Board included Industrial Counsellor Kimmo Kalela (Chairman), Executive Vice President of Siemens AG, Thomas Ganswindt, and the following members: Kari Jordan, President of Metsäliitto Group (until Dec. 31, 2005), Timo Rajala, CEO and President of Pohjola Voima Oy (from Nov. 28, 2005), Professor Olli Martikainen of the University of Oulu, D.Sc (Tech) Kalevi

Nikkilä and Manfred Dönz, Director, Siemens AG.

Henrik Gayer is Chairman of the Board of Directors. Other Board members are Michael Eidam, CFO of Siemens Osakeyhtiö, and Edgar Wittmann, Director, Siemens AG.

The company's auditors were Albrecht Hagert (Authorized Public Accountant) and Mårten Ingman, (Authorized Public Accountant) of KPMG Oy Ab.

Prospects

Finland's GDP is forecast to fall slightly. However, capital spending in industry, construction and services is expected to remain high.

Economic growth in the Baltic countries will continue to outstrip that of Finland. Prospects for infrastructure investment look brighter, based on EU funded projects throughout the Baltic countries. Growth in these countries' consumer spending and capital spending should mean continued, high if slightly slower economic growth over the next few years.

The accounts in this annual review are based on US GAAP principles and have been consolidated into the official financial statements for the parent company Siemens AG. An audited version of the financial statements in accordance with Finnish generally accepted accounting principles is available from Siemens Osakeyhtiö Corporate Communications and from the Finnish Trade Register.

Group Statement of Income

(US GAAP), year ended September 30.

(1,000 €)	2006	2005
Net sales	364,940	375,830
Cost of sales	-293,637	-295,164
Gross profit on sales	71,303	80,666
Marketing and selling expenses	-42,994	-46,850
General administrative expenses	-9,032	-9,914
Other operating income (expense), net	-270	799
Income from investments in other companies, net	0	-418
Interest income (expense) from operating activities, net	-163	-198
Other interest income (expense), net	-3	-36
Income before income taxes	18,841	24,049
Income taxes	-5,026	-5,613
Net income	13,815	18,436

Group Balance Sheet

(US GAAP), year ended September 30.

(1,000 €)	2006	2005
Assets		
Current assets		
Cash and cash equivalents	736	4,548
Marketable securities	168	195
Accounts receivable, net	51,448	41,299
Intracompany receivables	10,347	13,781
Inventories, net	27,493	23,971
Deferred tax assets	682	1,549
Other current assets	4,574	4,737
Total current assets	95,448	90,080
Long-term investment in associated companies	1,219	0
Intangible assets, net	9,120	9,121
Property, plant and equipment, net	35,595	37,016
Other assets	172	145
Total assets	141,555	136,363
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt and current maturities of long-term debt	1,877	843
Accounts payable	13,117	14,657
Intracompany liabilities	10,803	2,530
Accrued liabilities	19,598	18,917
Deferred income taxes	547	0
Other current liabilities	24,592	22,798
Total current liabilities	70,534	59,745
Long-term debt	685	878
Pension plans and similar commitments	5,428	8,982
Other accruals and provisions	11	0
Total liabilities	76,658	69,605
Shareholders' equity		
Common stock	18,870	18,870
Retained earnings	49,227	54,712
Accumulated and comprehensive income	-3,200	-6,824
Total shareholders' equity	64,897	66,758
Total liabilities and shareholders' equity	141,555	136,363

Group Cash Flow Statement

(US GAAP), year ended September 30.

(1,000 €)	2006	2005
Group profit / income before tax	19,146	24,216
Depreciation of intangible assets	1	1
Depreciation of property, plant and equipment	5,271	5,621
Total depreciation	5,272	5,622
Gains / losses on sales and disposal of businesses and pp&e	-185	-728
Gains / losses on sales and disposal of investments	0	418
Gains / losses on sales and impairments of marketable securities	9	36
Other non-cash income / expense	159	59
Inventories	-2,248	6,208
Advanced payments received	-2,741	8,497
Accounts receivable, net	-9,810	9,616
Other current assets	1,098	911
Non-current assets	4,862	-7,313
Change in receivables and other assets	-3,850	3,214
Accounts payable	-1,842	-8,729
Accrued liabilities	928	-835
Other current liabilities	3,748	-13,214
Non-current accruals and liabilities	-3,543	7,519
Change in accruals and liabilities	-708	-15,259
Net cash provided by / used in operating activities	14,854	32,283
Additions to intangible assets	0	-6
Additions to property, plant and equipment	-2,918	-3,526
Total additions to intangible assets, property, plant and equipment	-2,918	-3,532
Purchase of investments	-27	0
Total capital spending	-2,945	-3,532
Purchase of marketable securities	0	-3
Proceeds from sales of intangibles, property, plant and equipment	180	1,205
Proceeds from sales of investments	0	908
Proceeds from sales and dispositions of businesses	269	0
Proceeds from sales of marketable securities	25	24
Net cash used in / provided by investing activities	-2,472	-1,397
Net cash from operations	12,382	30,886
Other interest income	-303	-167
Income tax payments	-5,896	-6,083
Change in debt	-199	-659
Dividends paid	-19,300	-13,579
Change in intercompany financing	12,533	-13,306
Reconciliation items	-3,029	5,163
Net cash provided by / used in financing activities	-16,194	-28,631
Effect of exchange rates on cash and cash equivalents	0	-6
Net change in cash and cash equivalents	3,812	2,249
Cash and cash equivalents at beginning of period	4,548	2,299
Cash and cash equivalents at end of period	736	4,548

Disclaimer

This annual review contains certain forward-looking statements based on the beliefs of Siemens' management. We use the terms "anticipate", "believe", "estimate", "project", etc. to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks and uncertainties. Many factors could cause the actual results to be materially different, including, among others changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products, lack of acceptance of new products or services and changes in business strategy. Siemens does not intend or assume any obligation to update these forward-looking statements.

Annual review can be found on Siemens internet pages:

<http://www.siemens.fi/annualreview>

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