

Siemens

SIEMENS

in Finland

Annual Review 2004

years
150

Siemens in Finland

In 2005, it will be 150 years since Siemens connected Finland to the international telecommunications network by building a telegraph line from Turku via Helsinki to St. Petersburg and to Europe. In 1898, Siemens established a subsidiary in Finland.

Siemens is a technology and service company providing complete solutions in the communications, business services, industry, building technology, energy, transportation and healthcare technology, household appliance, computer, lighting and finance sectors. Siemens Osakeyhtiö has subsidiaries in Estonia, Latvia and Lithuania.

Other Siemens players in Finland are Fujitsu Siemens Computers Oy, Oy Osram Ab, Medical Solutions, Siemens Financial Services Oy, BSH Kodinkoneet Oy and Siemens Dematic, which provides machinery for component assembly.

Siemens companies in Finland and the Baltics have total net sales of €623 million and employ appr. 1 600 people. Siemens AG, the parent company, has presence in 190 countries around the world. In the fiscal year under review Siemens AG had 430 000 employees and sales of €75 billion.



Siemens Osakeyhtiö Group

Key Figures

M€ (US GAAP)	2003/2004	2002/2003	2001/2002	2000/2001	1999/2000
New Orders	404	357	415	365	272
Orders on hand	119	90	117	110	86
Invoicing *	403	398	454	359	408
Net Sales	383	382	410	339	269
Income before taxes	28	27	22	16	13
as % of net sales	7.2	7.0	5.4	4.7	4.9
Balance sheet total	157	142	141	150	128
investments	5	4	3	7	9
Employees at September 30.	1,426	1,262	1,363	1,568	1,211

* Invoicing = turnover + turnover from commission sales

Seamless Excellence

Port, hospital, hotel, airport, and power plant construction calls for technology, hardware and systems that operate seamlessly together however extreme the conditions. Siemens is a competent supplier of complete solutions, a builder of concepts. A global expert, a strong partner in Finnish society.

Healthcare

Medical imaging systems, information systems and technical UPTIME services.

Energy

Power plants, steam and gas turbines, power plant automation systems, substations for energy transmission and distribution, industrial and power plant electrification and maintenance services.

Transportation

Signaling systems, railway control, track control and electrification systems and related project management, deployment and maintenance services and rolling stock. Road traffic control and parking guidance systems.

Building Technology

Building automation systems and associated maintenance services, regulation and control equipment for ventilation and air-conditioning, fire detection systems and associated maintenance services, burglary protection, access control and video surveillance systems.

Business Services

A supplier of comprehensive IT services and solutions: information systems consultation, outsourcing services, system integration, electronic business solutions and training services. Business process enhancement and IT infrastructure management.

Industry

Automation systems and equipment, field equipment, process automation projects, tool machine automation systems, electrical drives, converters, low voltage switchgear, installation material, technical support and training.

Part and turnkey projects for the paper, pulp and metal industries, systems and services throughout the lifecycle of an industrial plant, industrial IT systems, software engineering, installation, deployment, automation service, maintenance, spare parts and equipment replacements.

Communications

Data network solutions ranging from the main network to access networks, broadband DSL access networks, telephone exchanges and next generation IP-based voice networks, SDH and DWDM transmission systems. Local technical support and training services for all products.

Corporate networks - communications technology required by companies and organizations: voice systems, mobile applications, contact centers, banking house and control room Trading systems, and other industry-specific applications. Local area network solutions and data security. HiPath hosting service.

Mobile systems (GSM, GSM-Railway, GPRS, UMTS and TETRA) radio and core networks, value added service systems and complete solutions, service hosting solutions, mobile phones, wireless phones, fixed network phones, and broadband products.

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150 years of Siemens in Finland

In 2005, it will be 150 years since Siemens built a telegraph line via Helsinki from St. Petersburg to Turku. The telegraph line was commissioned by the Russian military command. The Crimean War resulted in a desire for a rapid communications link not just to Europe, but also to the capital of the Grand Duchy of Finland.

Siemens came into existence in 1847, when an ingenious young inventor, Werner Siemens, founded a pointer telegraph workshop with Georg Halske, a mechanical engineering friend.

Siemens' early success was based on the fact that the products were the partners' own inventions and innovations. Werner Siemens' ideas in telegraph engineering, for example, formed the foundations for global communications. He made a pointer telegraph that was much superior to its older rivals. Again, the design of the dynamo or electric generator laid the foundations for electrical engineering of the day and secured Werner Siemens a place in engineering history as a major visionary.

Carl Siemens moved to Lappeenranta

Siemens has been an international company from the very outset. Since the mid-19th century, the brothers of Siemens' founder, Werner von Siemens, were involved in the internationalization of this growing company, first in England, Russia, France and Austria. In the very early days of the company, Werner's brother Carl Siemens left for Russia to build a telegraph network there and to permanently represent the company in St. Petersburg, one of the most important growth centers in Northern Europe at the time.

Born a foreigner, Carl Siemens took the nationality of the Grand Duchy of Finland to enable him to work and do business in Russia, and settled in Lappeenranta. In 1896, Czar Nicholas II ennobled him Carl von Siemens.



Carl von Siemens, c. 1860



A team of Siemens employees laying a submarine cable in the 1860s

Milestones in the first 150 years

- 1898** Siemens established a subsidiary in Finland.
- 1901–1902** Electrification of the Pasila engineering works delivered to Finnish Railways.
- 1906** Finland's first steam turbine delivered to the Klingendal broadcloth mill in Tampere.
- 1913** Siemens laid a submarine cable between the inner city of Helsinki and Suomenlinna, thus opening a telephone link to the island. The same year Siemens delivered the first electric clocks to Helsinki and Vyborg railway stations. Finland's first electronic fire alarm system was installed in Stockmann department store.
- 1922** Finland's first fully automatic telephone exchange, brought about by Siemens' technology, was opened in the Töölö district of Helsinki. Residents of Helsinki could now make direct calls.
- 1931** The Finnish News Agency (STT) acquired its first telex from Siemens. Siemens began deliveries of medical engineering systems in the early 1930s.
- 1943** Over half of the some 18,000 electric stoves in Finland were made by Siemens. During the same year there were some 6,000 refrigerators in use. Siemens had also supplied a considerable number of these.
- 1952** News from the Helsinki Olympic Games in 1952 was broadcast to the world by telexes supplied to the Finnish PTT by Siemens.
- 1958** When completed, the Vaskiluoto steam power plant in Vaasa was the largest of its kind in Finland. Siemens supplied the turbogenerator for it.
- 1964–1965** Siemens built a link station for international television links at Hammarland in the Åland Islands. This made it possible to watch international sports events and Eurovision song contests.
- 1971** Start made on building the Helsinki metro. Siemens delivered all the signaling systems.
- 1977** Deployment of Finland's first nuclear power plant, Loviisa 1. The plant was largely automated by Siemens,

which also delivered measuring and control technology, and process protection for the Loviisa 2 unit. In the late 1970s, there were about one million telephone lines delivered by Siemens in the public telephone network and in PBXs. Siemens automation and control technology was present in over half the power plants built in Finland in the 1970s.

- 1981** Full automation of Finland's telephone traffic was completed with the deployment of the exchange in Pello. It, like hundreds of other telephone exchanges in Finland, was delivered by Siemens.
- 1982** Finland's first digital telephone exchange, an EWSD exchange, was deployed in Helsinki.
- 1983** The first deliveries of nuclear fuel to Teollisuuden Voima's nuclear power plant at Olkiluoto.
- 1988** Start of commercial ISDN service in Finland (EWSD, Hicom 300). Finland's first high magnetic field magnetic resonance imaging system was delivered to HUCH's Meilahti Hospital the same year.
- 1997** Siemens delivered the gas turbine units, overall automation, medium and low voltage units, generator protection, and 110 kV SF6 insulated GIS equipment for Helsinki Energy's Vuosaari B power plant.
- 2001** Siemens implemented an extensive my.SAP.com-based enterprise resources planning system for the Finnish Defence Forces.
- 2002** Siemens signed a contract with Wisapower Oy to deliver the world's largest back-pressure turbine plant in the pulp and paper industry.
- 2003** Siemens delivered a national GSM-R network infrastructure to the Finnish Rail Administration.



Werner von Siemens decisively improved pointer telegraphy in 1847.

Total Supplier in Challenging Projects

Siemens' synergy and global presence translate into competence in a broad range of fields and innovative products and solutions that integrate different technologies. Siemens is a total supplier in many different businesses.

Siemens has delivered integrated solutions for instance to the forest industry, water treatment plants, hospitals, ports, airports, hotels and modern sports arenas. Siemens draws on its excellence and experience acquired in various parts of the world by designing modules that can be used to assemble a total solution for a stadium or port, for example.

Port

Siemens has total excellence in building ports. Rotterdam and Hamburg in Europe and Tanjung Pelepas in Malaysia are examples of ports where Siemens has delivered its excellence. Siemens is able to provide container handling, transport solutions and road traffic control systems, communications solutions, information management systems, energy solutions, building automation, security solutions, lighting, logistics solutions and finance solutions for ports.

Crane systems designed for fast container handling, tailored energy solutions and extensive outside lighting systems are just some of the features that generate added value in Siemens' port solutions. The benefits of total deliveries include dependable integrated updatable systems, reliability, less project management and coordination, time-savings and lower costs.

Forest industry

Siemens offers global pulp and paper solutions, systems, products and services. Siemens can provide all the technology and services required by production plants throughout their lifecycle.

Siemens has played an important role in modernizing production plants in the Finnish forest industry. We have delivered a turbine generator to Oy Metsä-Botnia AB's pulp and board mill at Kemi.

In connection with an expansion of UPM-Kymmene Corporation's Wisaforest Mill, Pohjola Voima Oy placed an order with Siemens for the largest turbine generator ever installed in a pulp and paper mill.

Hospital

Siemens built a fully digital healthcare solution at the Scott & White Memorial Hospital in Texas, thus turning it into one of the USA's leading provider of healthcare services. The customer benefited from more efficient administration and logistics, and lower costs.

Siemens delivered an integrated solution to the hospital including an IT system guiding hospital functions, diagnostics systems and shared access to facilitate their use, a HiPath voice solution, building technology and energy production.



The Athens Olympic Games 2004

The Olympic Games held in Athens in the summer of 2004 were yet another example of the successful use of Siemens' diverse integration excellence. Siemens was involved in all the Olympics' infrastructure projects, which, in the long-term, also added momentum to modernization of the historic city of Athens. Siemens delivered a sophisticated security solution and several modernization projects for stadiums and other places, traffic systems, road traffic controls, hospitals and hotels.

Stadiums

Siemens delivered building automation systems, IP-based communications solutions, low and medium voltage devices, fire detection systems and lighting and lighting control solutions for 17 Olympic competition and non-competition venues. Major projects entrusted to Siemens included the Karaiskakis Football Stadium, the main stadium and the Shooting Centre.

Hotels

Siemens was responsible for the total refurbishment of the Grande Bretagne hotel, delivering low and medium voltage devices, an IP-based voice solution, a lighting control system, building automation, a roof surveillance system, fire detection system, and gas monitoring system.

Siemens carried out smaller refurbishment projects at the Athens Hilton and Astir Vouliagmenis hotels.

Airport

Siemens delivered a refurbishment project at Ohrid Airport on a turnkey basis. Delivery included approach, runway and signal lighting, an electricity substation for airport lighting, and lighting control and monitoring systems.

Transport

Siemens delivered 40 trains, signaling equipment and electrification for the Athens metro as well as 160 coaches, 20 Desiro trains, 24 electric locomotives and suburban railway infrastructure for the railways. A telematics system delivered by Siemens was deployed in bus traffic and we delivered a road traffic control system to the Ministry.

Security

The International Olympic Committee had tightened Olympic security arrangements in the aftermath of the events of 9/11 2001. Except for defense systems, the C41 solution at the Athens' Olympics is the world's most ex-

tensive and advanced security system. C41 stands for command, control, communication, computers and intelligence and was deployed in May 2004 to support command center operations in Athens.

The C41 system comprises three components: situation specific information, systems supporting decision-making and command and control support. The system links nine ports, overland transport and helicopters.

Command center staff had real-time 24-hour information about Olympic venues and buildings via intelligent control and surveillance.



Siemens has experience of turnkey port deliveries, an example of which is the Port of Rotterdam.



Siemens delivered a range of technologies and solutions to competition and non-competition venues at the Athens Olympic Games and to the city of Athens itself.

Working for the Customer

I already knew Siemens quite well when I took over as Chief Executive Officer at the start of June 2004. I knew the Group to be a diversified international enterprise with extremely dependable technology. A few months later, having gained a deeper insight into Siemens' operations and people, my respect for the Group and its people has grown considerably.

My respect is rooted in our strong heritage. In 2005, it will be 150 years since Siemens arrived in Finland to build a telegraph line from Turku via Helsinki to St. Petersburg and to the rest of Europe. Since then, Siemens has been an integrated part of all vital areas of Finnish society.

Siemens is renowned throughout the world as a supplier of total solutions, a supplier that has honed its solutions and technologies to make them compatible. Our strong, international background enables us not only to deliver airports, hospitals, ports and hotels to 190 different countries, but also to serve each country in the local language. For our customers, one supplier translates into easier purchases, less project management and coordination, and more project reliability and uptime.

Stable economic environment

Compared with the overall market in the industry, Siemens performed well during the fiscal year ending September 30, 2004. We secured 13 per cent more new orders than a year earlier, with most new orders being secured by our Energy, Industry and Building Technologies business areas. Our net sales remained nearly unchanged on the year.

Earnings for the fiscal year just ended were €27.6 million, up by four percent on the corresponding figure a year earlier. Earnings rose especially in Finland. However, earnings were eroded by the costs of merging Siemens Building Technologies Oy into the Group during the year under review and investment in the new enterprise resources planning system deployed in the Siemens Osakeyhtiö Group. In future, this global system will provide momentum to our businesses and pay for itself through further improved customer service.

Baltic subsidiaries facing challenges

During the ten years Siemens Osakeyhtiö has had subsidiaries in the Baltics, they have constantly grown their business. The year under review was the first time that this growth leveled off and that the contribution made by the subsidiaries to Group net sales and earnings fell. This is explained by the fact that many major projects such as the communications infrastructure have now been completed. However, numerous large, EU-funded projects currently under way in the Baltics also provide many opportunities for Siemens.



The future


There are two major building projects penciled in during the next two years in Finland. One is Olkiluoto 3, a new nuclear power plant unit on Finland's west coast, which will get under way in spring 2005, once local work has been completed. The other is Vuosaari harbour in Helsinki, where work commenced in the fall of 2004. Diversity and an ability to integrate concepts are of benefit in such major projects and I see many opportunities for Siemens in these projects.

Acknowledgements

I would like to thank our customers for the continuing confidence they have placed in us over the last 150 years to carry out complex, challenging projects in our society.

I would also like to thank Siemens' people, whose competence and skills form the platform for our prosperity. By working increasingly closer together and innovating new solutions we can look forward to building further the next 150 years of success.

*Henrik Gayer
CEO
Siemens Osakeyhtiö*

A hand holding a red and black telescope against a white background. The telescope is positioned diagonally from the top right towards the center. The background is a plain, light-colored surface.

Responsibility for Future Generations and the Environment

Siemens Osakeyhtiö was one of the principal sponsors of the Easy Life – Automation at your Service exhibition staged at Heureka, the Finnish Science Centre. Five-year-old Konsta Mäntylä was at the family event held at Heureka by Siemens for its employees in August 2004.



Responsibility for Profitability, People and the Environment

For Siemens, sustainable development means financial, ecological and social responsibility. We believe that profitable business, the use of new technology, excellence and a respect for sustainable development create a sound platform for business prosperity, people's well-being and quality of life.

Siemens is prospering because customers have every confidence in our in-depth local excellence coupled with Siemens' synergies, global leading-edge technology, cross-cultural innovations and integrated skills. In Finland and throughout the rest of the world, Siemens' activities are hallmarked by an ethically sustainable corporate culture and strict compliance with best business practices.

Corporate social responsibility is nothing new for Siemens, the Group has espoused it in its business from the very outset. To take a case in point, Siemens AG was one of the pioneers in environmental awareness. It set up its own environmental affairs unit way back in 1971, at the same time as the Greens were making their first moves in Europe.

As for social responsibility, Siemens has taken an interest in the well-being and motivation of its employees at a very early stage. For example, in 1872 Siemens introduced pension funds for its employees in Berlin, London and St. Petersburg. Healthcare, staff canteens, staff shops and apprenticeship training also entered the picture early on in the company's history.

Also through Siemens AG's participation in the World Economic Forum's Global Corporate Citizenship Initiative, we indicate the importance we as a company place on social responsibility.

Profitability creates well-being

In 2005, it will be 150 years since Siemens carried out its first project on Finnish soil, when the company built a telegraph line between Helsinki and St. Petersburg. Ever

since those distant days, a satisfied, lifelong customer has formed the cornerstone of Siemens' corporate culture. Investment in long-term customer relationships has created a sustainable platform for our business. The long-term nature of our business also entails systematic risk management and a readiness to accept financial responsibility.

Ethically sustainable corporate culture

Transparency, honesty and high ethical principles are prime considerations when Siemens interacts with partners, employees, shareholders and the media.

Siemens' values drive all the company's business. Siemens AG's global business rules are incorporated into our Business Conduct Guidelines. These business principles emphasize compliance with legislation and the importance of ethical norms in business.

All Siemens people throughout the world are bound by these business conduct guidelines. These principles apply equally to collaboration within Siemens as to the behavior of Siemens employees towards outside partners.

Siemens also expects all its partners to subscribe to similar ethics.

Dependable, methodological reporting

When Siemens AG listed on the New York Stock Exchange in 2001, the Group adopted US GAAP. These principles have further enhanced accounting quality and control criteria. In practice, independent internal auditing, our parent company Siemens AG and an outside auditor, KPMG, ensure that Siemens Osakeyhtiö complies with these criteria.

We seek to give stakeholders a true and up-to-date financial view of Siemens' activities.



Meticulous financial control and related long-term business development also improve our readiness to react timely to changes taking place in the environment in which we operate.

New technology helps to save the environment

Siemens produces innovations to improve people's quality of life, offers customers solutions that have less environmental impact and invests in activities to help save the environment.

Siemens has always invested heavily in R&D. Siemens has a product portfolio approaching one million different products from power plants to cell phones.

During the fiscal year under review, Siemens AG spent appr. €5 billion on R&D. Siemens generates an average of 30 inventions a working day and holds over 45,000 patents. Some 50,000 researchers and developers in over 30 countries across the world take part in R&D.

The results of R&D are evident in enhanced traffic safety, further improved communications, patient well-being and in safe, user-friendly products.

Effective solutions reduce environmental impact

Siemens AG's innovation network develops solutions having high environmental performance, in other words better efficiency and lower environmental impact. Hi-tech products and services innovated by Siemens are helping industry to cut the consumption of energy and raw materials, thus enabling industry to enhance its operations and consequently reduce adverse environmental impacts.

Since our state-of-the-art technology helps consume less energy and raw materials, and produces less waste, we protect the air, water and soil at the same time. With new technology, energy can also be distributed more effectively, produced with less loss, and consumed more sparingly.

Dow Jones Sustainability Index (DJSI) is reviewed every year, and Siemens has been included continuously since 2000.

More environmentally aware product life cycle

At Siemens, we pay particular attention to the entire life cycle of products, starting at the design stage, to make them highly environmentally conscious. This means that a product consumes less energy, needs less maintenance and can be recycled or reused after having been withdrawn from service.

To take a case in point, Siemens Medical Solutions now has a virtually global return system in place and a separate business unit that generates earnings by systems modernization.

Dow Jones Sustainability Index

(DJSI) assesses the environmental, social and financial performance of leading international companies. Ten percent of the best sustainability-driven companies in their field are admitted to the index. The index is reviewed each year and Siemens has been included continuously since September 2000.



The electrical and electronic equipment business environment in Finland will change in 2005, with the introduction of legislation which has its origin in the EU's Waste Electrical and Electronic Equipment (WEEE) Directive, which will place obligations on producers and importers of electrical and electronic equipment.

Such equipment will be subject to producer's responsibility, in other words an obligation to arrange and finance the recycling of such equipment. The Directive applies to an extensive range of electrical and electronic equipment from household appliances to electronics for professional use.

During the year under review, Siemens Osakeyhtiö has been closely involved with the Technology Industries of Finland's AWARENESS project, which has developed a control and pricing model for the processing and recycling of electrical and electronic equipment in Finland. The outcome of the project was the establishment of a producers' cooperative, of which Siemens Osakeyhtiö is one of the founding members. Through the AWARENESS project, Siemens also provided comments when legislation based on the WEEE Directive was drafted.

Committed under ISO 14001 environmental certification

Siemens is committed to protecting the environment wherever it can in its own operations as well. During the year under review, Siemens Osakeyhtiö's environmental management system was certified as being in compliance with ISO 14001.

All the functions of the entire company were audited internally and certification was awarded by Det Norske Veritas. Certification covers the entire operations of Siemens Osakeyhtiö.

Through a certified environmental management system, Siemens Osakeyhtiö seeks to improve its operations, cut adverse environmental impacts and satisfy the requirements of various stakeholders. To obtain certification, the company provided environmental training for all employees, thus seeking to build on the environmental awareness and commitment of Siemens people. Each Siemens' employee is responsible for the environmental aspects of his or her own job.

We are constantly on the quest for new means and ways to enhance our own environmental excellence and to further reduce environmental loading. During the year under review, we created an extensive Environment Development database, where the entire company's environmental documentation and aims are recorded and through which the entire organization was assigned development tasks. Other environmental management tools include an environment manual and various reviews, which serve as a basis for the ongoing improvement of our environmental excellence.

More attention to sorting waste

During the year under review, Siemens Osakeyhtiö paid increasing attention to sorting waste, and numerous briefings about the topic were held for employees. The company's recycling practice was clarified, especially as regards the recycling of paper. Additionally, a start was made on collecting energy waste, and bio-waste collection was improved.

The company is closely watching its utilization of waste, and its consumption of electricity, water and district heat. As regards waste, we are monitoring how much is re-used via recycling and what percentage of waste unsuitable for

Siemens Osakeyhtiö's environmental policy

We at Siemens Osakeyhtiö have a responsibility to future generations and the environment.

We put this responsibility into practice by continuously working to improve our products and operations to reduce the burden on the environment. We take into account the recycling, repair and re-use of used equipment in our operations.

We employ a 1993 standard applying to the production of environmentally aware goods. Our R&D complies with guidelines which drive us to develop systematically recyclable products. We consider that developing an ecological systems business and the emerging market offer new potential as a growing business. We benefit from the experiences gained from our operations. We are committed to environmental issues and their ongoing improvement.



Profitable business is based on contented employees

At Siemens, HR management seeks to direct performance and ensure strategic excellence. Profitable business calls for motivated, efficient and contented employees.

Several factors, including work content and working conditions, impact on well-being in the workplace. Motivating work needs to provide a sufficient challenge, to offer opportunities to learn something new and to accept responsibility. Competence and a practical reward system form the cornerstones of well-being at work.

Siemens supports the physical and mental well-being of its employees by fostering an open, interactive corporate culture. Where necessary, annual staff dialogs with employees also take into account factors such as family situation impacting on private life.

Good management and leadership create the basics for employees to be successful in their work. A constantly changing world requires individuals to learn new things and to work as part of a team. It is situations like this that highlight the importance of a supportive working environment and good leadership.

Interaction is required in striving for shared goals. Good interaction increases confidence and at best fosters a supportive environment, which in turn enhances productivity.

Priority given to enhancing skills

Siemens' prosperity is based on ensuring we have the skills required not just today, but also in the future. The fiscal year under review saw us give greater priority to systematic skills management.

recycling can be used to generate energy through incineration. Waste utilization has risen over the past couple of years. Additionally, we have optimized electricity consumption by changing to automatic air conditioning and automatically switching off electricity in the evenings.

Siemens draws extensively on the potential afforded by e-business in all procurement operations. Orders and invoices are transmitted online.

The company encourages its people to telecommute. Telecommuting cuts travel and makes it easier for people to be flexible according to various situations at different stages of life.

Siemens AG encourages its people to be environmentally aware by, for instance, holding an environment prize competition every three years. The competition was last held in 2003. The winning entries promote environment protection, not only generating cost savings for Siemens, but also increasing the competitiveness of Siemens and its customers. There are three competition series: product development, environmentally aware production and technologies, and management and communications.

“Good management and leadership create the basics for employees to be successful in their work.”

Siemens Osakeyhtiö Group has acquired the "Skills" tool to facilitate skills management. Skills can now be managed at the individual, team, business group, company, and Group level. We are now better placed to steer skills development in the direction business requires.

Not only that, we can find experts for a particular job quickly and easily from within the company.

The new tool also facilitates employee information management, since matters discussed in staff dialogs are recorded in the system. Additionally, each Siemens employee updates his or her own personal data.

Siemens Osakeyhtiö's different businesses offer superb opportunities for job rotation. Employees are actively encouraged to sign up for job rotation. In turn, we try to find a position that corresponds to an employee's skills or skills development needs. Job rotation benefits both the company and the employee. Siemens' employees grow into multi-skilled experts who, depending on business needs, are able to perform to their fullest potential in a range of jobs.

Siemens can enhance the skills of its people in many different ways: on-the-job learning, training or self-study. The following fiscal year will also see a start on the mentor program. In the future, mentoring will be one of the ways used to build on skills.

For example, at the end of project management training held at Siemens Osakeyhtiö during fiscal 2003/2004, no less than 22 Siemens project managers received IPMA Level C certification as project managers. At the start of 2004, there were a total of 270 IPMA Level C project managers in Finland.

Become a Leader, in which 15 Siemens employees took part, was another significant training program successfully concluded during the year under review. Five strategic studies furthering business were completed during the program.

Employee survey results a platform for development

Siemens Osakeyhtiö regularly conducts surveys to measure the well-being and satisfaction of its employees. Employee surveys constitute an important source of information to enhance job satisfaction and to identify areas for improvement.

The annual employee survey provides information about organizational function, the working environment, and management activity. Feedback is drawn on at the whole company. Survey results impact not just on points for development within a particular department, but also on areas of focus at the corporate level.

The Management Group deals with company-specific

results and the respective business group management group with the results for that group.

Employee surveys also provide valuable feedback about managers. This feedback can be drawn on in improving the performance of managers.

More job well-being groups

As a result of the encouraging experience when the program was launched in 2002/2003, Siemens Osakeyhtiö added three more job well-being groups for specific target groups during the fiscal year under review. The program is run in conjunction with the Social Insurance Institution of Finland (Kela).

The program seeks to enhance the physical, mental and social well-being of long-serving employees and to prevent premature retirement. Rehabilitation also dealt with coping at work, reconciling work and leisure time, development of the working environment and the importance of good physical fitness.

The results of the groups' activities were extremely encouraging. Also after rehabilitation, participants continued to address their own well-being at work.

Cooperation with educational establishments leads to interest in technical fields

Siemens Osakeyhtiö is in dialog with its business environment in many ways and also plays an active role in developing this environment. An important part of this work is long-term, systematic cooperation with various educational establishments.

Cooperation aims at enhancing Siemens' renown, stimulating the interest of young people in technical fields, and at safeguarding the future availability of suitable employees to meet the company's business needs. At the same time, Siemens also supports teaching in schools, and shows corporate responsibility to its surrounding community.

Offering students practical training is one of our most important forms of cooperation with educational establishments. The company also supported course programs, and the practical training and projects of individual students and groups.

Additionally, Siemens takes part in various recruitment fairs and gives lectures in schools each year. During the year under review, we were involved in the Contact Forum fair and together with the German Embassy, in Studia 2003, an international further education fair for high school students and graduates.

During the year under review, the company awarded some 70 grants for math subjects and languages at more than 30 elementary and high schools in Espoo, Kauni-



ainen and Kirkkonummi. The company has also worked for several years with local schools in Perkkää and Lepävaara. Cooperation has included arranging visits to Siemens' premises. In the context of Technology Industries of Finland projects, Siemens has invested in developing the teaching of technology at lower stage comprehensive school.

In the international arena, Siemens AG has traditionally played a major role in supporting research projects and in disseminating information at universities, polytechnics, and schools of economics. During the year under review, Siemens Osakeyhtiö representatives lectured at Helsinki School of Economics and the Swedish School of Economics and Business Administration on courses in e-business and supply chain management in logistics.

Automation exhibition projects in collaboration with students

During the 2003/2004 fiscal year, Siemens Osakeyhtiö also worked with students from Helsinki University of Technology. A group of students working on an automation IT project planned several exhibits for the Easy Life – Automation at your Service exhibition staged at Heureka, the Finnish Science Centre. All the exhibits planned by the students used Siemens' technology. Siemens Osakeyhtiö was one of the principal sponsors of the Easy Life exhibition, which tells how automation increases our well-being. Siemens is also one of the founding members of Heureka.

Additionally, Siemens worked in cooperation with the University of Art and Design Helsinki, where it supported the Masters of Arts 2004 exhibition of diploma works by university students at the Design Museum. There was also a small-scale assemblage of the exhibition in the lobby of the Siemens office at Perkkää. Additionally, Siemens Osakeyhtiö chose and awarded a prize to the winner of the best diploma work in the Masters of Arts 2004 exhibition. In this way the company seeks to support young industrial designers.

One important part of cooperation with educational establishments is to create and maintain relationships with the teaching staff and management of those establishments. Siemens Osakeyhtiö hosted the two-day Polytechnic Electrical and Automation Engineering Conference on the company's premises during the year under review. The event was attended by 40 polytechnic lecturers from the whole of Finland.

Highlights During the Fiscal Year

Major events for Siemens Osakeyhtiö's Baltic subsidiaries – AS Siemens, Siemens SIA and UAB Siemens - appear in the report on the company's activities on pages 36-39.

October 2, 2003 Presentation of the U15, the first commercial UMTS phone in Finland. The U15 operates in UMTS and GSM networks throughout the world.

October 21, 2003 Siemens announced it was to start selling the SX1 smart phone in Finland in December.

October 27, 2003 Siemens Osakeyhtiö delivered a HiPath ProCenter call center solution to Tikkurila Oy. The solution integrates online queries and the traditional telephone service.

November 6, 2003 Vattenfall Oy purchased an SAP energy business solution for its enterprise resources planning system. Siemens was the principal supplier.

November 18, 2003 RTV-Yhtymä Oy chose a Siemens HiPath solution as the telecommunication system for its nationwide network of stores. Twenty HiPath 3000 communication servers are networked on a platform of Sonera's nationwide IP network.

December 18, 2003 Teollisuuden Voima Oy (TVO) signed a contract with a consortium of Framatome ANP and Siemens to build an approximately 1600 MW EPR nuclear power plant unit.

December 19, 2003 The City of Turku decided to equip Turku Castle with an advanced, smart fire detection system. The system was delivered by Siemens Building Technologies Oy and installation was carried out in collaboration with the Finnish National Board of Antiquities.

January 9, 2004 Siemens achieved a breakthrough in organic solar cell technology enabling it to be used for

commercial purposes. Initially solar cells are used in portable solar panels that can be used, for example, to charge mobile phones.

March 1, 2004 Outokumpu Stainless Oy and Siemens signed a contract to electrify slab handling, enlarge the security gate in the hot rolling mill and modernize the roll grinder.

March 4, 2004 Siemens introduced the world's first cordless phone (Gigaset SL740) where multimedia messages operate in the fixed network.

March 10, 2004 Pohjolan Voima Oy agreed with Siemens Osakeyhtiö to outsource its telecommunications system so that the new voice solution would be delivered as a total service.

March 10, 2004 PPTH-Norden Oy and Siemens Osakeyhtiö concluded a five-year SAP R/3 hosting service agreement. The agreement includes a new Linux platform, control and operating services and usability.

March 17, 2004 Siemens introduced three new mobile phones at CeBIT 2004. The C65 phone offering MMS, the M65, a solid triband handset equipped with multimedia features and the S65 business phone. Also at CeBIT, Siemens presented its Surpass Home Entertainment solution, which enables the provision of various online services for television via a DSL broadband connection.

March 19, 2004 Opening of the Easy Life – Automation at your Service exhibition staged at Heureka, the Finnish Science Centre. Siemens is one of the principal sponsors of the exhibition.

March 22, 2004 The Finnish Road Administration placed an order for queue numbering systems for heavy vehicles at the Nuijamaa and Vaalimaa crossing points on the Finnish-Russian border.

March 31, 2004 Siemens Building Technologies Oy was merged into Siemens Osakeyhtiö and Building Technologies became one of the company's business groups.

April 1, 2004 Siemens Osakeyhtiö delivered a global SAP solution to Outokumpu Technology Oy to control and manage the international project business.

April 2, 2004 Cable television company HTV (Helsinki Televisio Oy) brought on stream two Juniper M20™ routers supplied by Siemens Osakeyhtiö.

April 8, 2004 Siemens Osakeyhtiö signed a deal with SWTP Construction Oy to deliver process automation for a wastewater treatment plant to be built in St. Petersburg, Russia.

May 12, 2004 Henrik Gayer (50) was appointed CEO of the Siemens Osakeyhtiö Group and Chairman of the Board of Directors. He took up his position at the start of June.

May 17, 2004 In early May, Siemens launched a new service center offering contract customers all software, workstation, information network and systems maintenance services from one telephone number.

May 25, 2004 Siemens Osakeyhtiö secured an order from Helsinki Energy to supply new 20 kV GIS equipment for the Viikimäki electricity substation.

June 3, 2004 Siemens Osakeyhtiö concluded an agreement with Stora Enso Oyj to modernize the line drives on PM8 at the Imatra Paper Mill.

June 4, 2004 Siemens Osakeyhtiö signed a contract with TYL Leppävaaran liikekeskus to deliver a guided parking system to the Sello shopping center.

June 22, 2004 Siemens Osakeyhtiö signed a contract with Fingrid Oyj to enlarge the 400/110/20 kV electricity substations at Toivila and Vihtavuori.

June 24, 2004 Thirtieth anniversary of computer tomography. Siemens launched CT in May 1974, the first healthcare technology manufacturer to do so.

June 29, 2004 UPM-Kymmene Corporation signed a contract with Siemens Osakeyhtiö to replace the line drives on PM8 and the calendars at the Tervasaari Paper Mill.

July 1, 2004 Siemens Osakeyhtiö secured an order from Helsinki Energy to upgrade 110 kV GIS equipment and protection at the Suvilahti electricity substation.

July 6, 2004 Siemens Osakeyhtiö signed a contract with Myllykoski Paper to replace the drives on PM4.

July 8, 2004 Siemens announced that effective January 27, 2005 Siemens' new President and CEO is Klaus Kleinfeld. Heinrich von Pierer is to become chairman of Siemens AG's Supervisory Board. IC Networks and IC Mobile merged.

July 9, 2004 Siemens Osakeyhtiö agreed with Saint-Gobain Isover Oy to deliver automation for the new production line at Isover's glass wool factory in Russia. The production line will come on stream in July 2005.

July 19, 2004 The first 400 mV mains transformer to be delivered by Siemens to Finland was connected to Fingrid Oyj's network at the Pirttikoski electricity substation.

July 29, 2004 Siemens delivers IP technology to one of Europe's largest fiber optic IP networks owned by Global Crossing of the UK. The network has over 110,000 users in 550 offices in the public sector.

August 18, 2004 Com hem, Sweden's largest CTV operator chose Siemens to deliver a VoIP solution.

August 18, 2004 Siemens Business Services was awarded a contract to provide support for the IT infrastructure of Caixa Geral de Depósitos, Portugal's largest bank. The order covers all the bank's 1,200 sites, some 19,000 computer workstations and 2,000 servers.

August 19, 2004 Siemens Mobile launched the first Push and Talk mobile phone.

August 31, 2004 Elisa Corporation and Siemens Osakeyhtiö are joining forces to deliver one of Finland's largest VoIP solutions to the Ministry of Labour for a new contact center in Kemijärvi. The same IP network will link 300 labor administration offices and some 4,500 users.

Management Board of Siemens Osakeyhtiö



Bengt Avellan
Business Group Director
Building Technologies



Michael Eidam
CFO



Henrik Gayer
CEO



Pertti Huhta
Business Group Director
Energy and Transport



Nina Jankola
Director of Human Resources



Petteri Kleemola
Business Group Director
Communications, Mobile



Karl Lönngren
Business Group Director
Communications, Fixed Networks

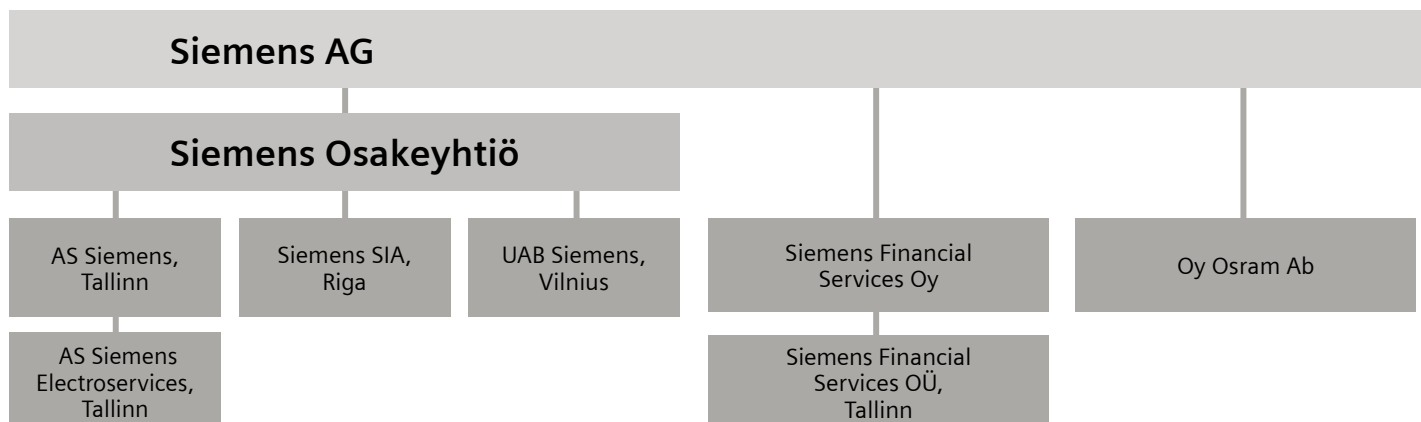


Mauri Silfverberg
Business Group Director
Industry



Jaakko Tennilä
Business Group Director
Customer Services

Company Structure



CEO's of the Baltics Subsidiaries



Jussi Grönholm
Business Group Director
Business Services



Juha Lehtonen
Business Group Director
Communications, Enterprise Networks



Terttu Tiura
Director of Corporate Communications



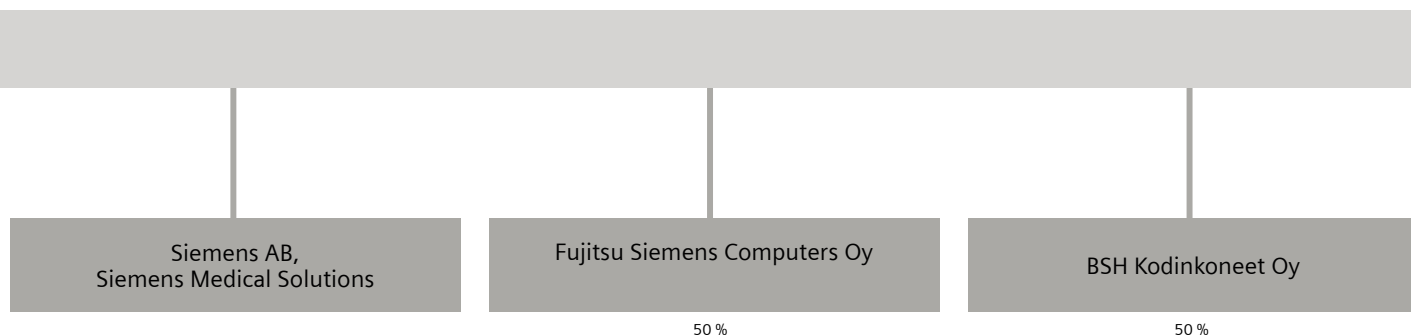
Avo Tihamäe
CEO
AS Siemens, Estonia



Martti Kohtanen
CEO
Siemens SIA, Latvia



Audris Barcevičius
CEO
UAB Siemens, Lithuania



50 %

50 %



An Expert
in Future Society

Siemens Osakeyhtiö is one of the founding members of Heureka, the Finnish Science Centre. Charlotte von Numers listened to different languages of the world at Siemens' family event at Heureka.

Business Areas

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Communications

Advances in telecommunications are driven by consumers' need to send emails, use the internet and other services in different environments using different devices for end users, which impose new demands on products, solutions and total integration.

Siemens is able to offer its customers a complete portfolio that covers everything from fixed mobile communication solutions, VoIP solutions for enterprises and operators, LANs for homes and small offices, and devices for end-users. A long track record of in-depth competence enables Siemens to integrate service environments requiring different types of technologies, solutions and networks.

Networks

Siemens is a leading supplier of fixed and mobile networks, offering all the solutions needed in operator networks.

Demand for network technologies in Finland grew during the past fiscal year as operators started to increase investments after a few sluggish years. The dynamic growth in broadband subscriptions in particular continued during the past year, which in turn also increased demand for data and transmission networks.

Whilst a start is underway on expanding 3G mobile phone networks, investments still failed to take off as expected during the past year. Nevertheless, operators seek to bring new services to end-users to meet demand and major investment decisions are expected during the current fiscal year. Siemens, too, is at the cutting edge of mobile communications technology.

Demand for mobile networks remained favorable in the Baltics. Siemens secured the largest orders from the Baltic states and from Kaliningrad in Russia. Demand for broadband continues to grow in the Baltics.

Major network orders

Brisk deliveries of broadband access networks, data and transmission networks and IP-based voice networks con-

tinued to be made to our major customers Elisa Corporation, the Finnet Group and TeliaSonera Finland. New customers include Corenet Oy, Saunalahti Group Oy and Helsinki Televisio Oy, a cable television company.

We signed a major contract with Tele2 to expand the mobile phone network and to upgrade and expand the intelligent network system in all three Baltic states. Siemens also delivered a GPRS expansion project to JSC Extel in Kaliningrad, Russia and secured a new contract, also with a Kaliningrad operator, Teleset Ltd, who ordered a GSM/GPRS/EDGE network.

In Finland, a start was made on extensive deliveries to the Finnish Rail Administration's national GSM-Railway network infrastructure during the fiscal year.

In spring 2004, Siemens launched the world's first fixed-line home phone with MMS functionality. The cordless Gigaset SL740 features an integrated digital camera and color display





The future - networks

The expansion of UMTS mobile communications networks will increase network investments. The provision of services to various devices for end users calls for network convergence and easy maintenance. Siemens is at the cutting edge in building total service environments in IP multimedia solutions.

Siemens decided to globally merge its two communications units from October 1, 2004 in a bid to strengthen its fixed and mobile network excellence and to promote network convergence. Siemens' strength lies in its established in-depth insight and long-term experience in both areas.

Enterprise solutions

With more than 83 million extensions and three million voice and communications solutions, Siemens is the world's number one supplier of voice solutions. In Finland, Siemens has already delivered over 1,200 HiPath systems that enable VoIP technology. Siemens HiPath system enables customers to gradually deploy IP features at their own pace.

During the year under review, VoIP solutions continued to increase its share of the voice solution market. Siemens' strength lies in its expertise in both data networks and traditional telephone technology. In a stable market environment, Siemens' business remained unchanged year on year.

Major VoIP orders

Enterprises and organizations are increasingly outsourcing their communications solutions. During the fiscal year, we

signed a major hosting services agreement with power company Pohjolan Voima Oy, which acquired a new voice solution from Siemens on managed service basis. The hosting service includes system access, technology, maintenance and service.

Siemens delivered a VoIP solution and demanding contact center to the Finnish Tax Administration.

Siemens Osakeyhtiö joined forces with Elisa Com Oyj to deliver one of the largest VoIP solutions in Finland to the Ministry of Labour. The same IP network links 300 Ministry of Labour offices and some 4,500 users.

In partnership with the Finnet Group, Siemens delivered VoIP solutions to the towns of Uusikaupunki, Kokkola, and Kajaani. The local government services of these towns are in the same IP-based network.

The future – voice solutions

IP-based solutions continue to account for an increasingly greater share of a corporate voice and communication systems. Companies and organizations choose outsourcing solutions to further enhance efficiency. In this light, HiPath Managed services have a promising future.

People are increasingly working outside the office. Users want the same services and functions in different environments. Unified messaging and presence based communication solutions supporting mobility as well as other value added applications enhancing business processes are generating new opportunities.

Devices for end users

At the end of the past fiscal year, Siemens ranked a healthy second place on the Finnish mobile phone market. Sales

of a new clamshell phone, launched in May, exceeded all expectations. We also launched five new mobile phones in the 65 series, including a model with a mega pixel camera, a sliding top phone and a water and shock resistant model.

Siemens also announced five other new mobile phones including a business model featuring a x2type keyboard (cross-to-type) and PaT (Push and Talk), and a clamshell phone featuring a mega pixel camera and reversible display. These new products consolidate Siemens' strategy in the discerning user segment.

Siemens' Gigaset brand is the market leader in cordless DECT phones in Finland. During the year under review, we launched six new phones including one designed by Alessi and Siemens, an interestingly shaped model and the world's first cordless fixed network phone with an integrated camera and MMS functionality.

Additionally, Siemens also launched its second wireless local area network (WLAN) product family, which is ideal for homes and small offices. Gigaset WLAN products enables several computers to use the same wireless internet connection at the same time. The computers can also be wirelessly linked to other computers. Sales of ADSL modems, another new product group launched by Siemens, got off to an extremely encouraging start.

The future – end user devices

Siemens' aim is to increase its share of the mobile phone, cordless DECT phone and WLAN and ADSL product market in Finland. Growth is based on good distribution, innovative product design, diversity of functions and acclaimed Siemens quality.



The SF65 clamshell phone looks and works like both a fully-fledged camera and a phone. The display swivels on top of the keys so that the phone can be used horizontally just like a conventional digital camera.

Business Services

Siemens is one of Europe's leading suppliers of information technology services. Through consultation, systems integration and e-business solutions, Siemens is playing an active role in enhancing enterprise business processes, and IT infrastructure and management.

Siemens aims to rank among the top five suppliers of IT services in all countries where it has a presence. In Finland, Siemens is the leading supplier of SAP-based solutions and provider of hosting services.

The year under review saw dynamic growth in the outsourcing of IT solutions. Outsourcing enables organizations to improve efficiency and achieve cost benefits. In response to this challenge, we integrated all our IT services into a single concept comprising software, workstation, information network and system maintenance services. Elisa Corporation was the first customer to sign a major hosting services agreement in line with our new concept.

There was a rise in corporate investments spent on improving IT solutions and systems during the year under review. Demand for applications services also grew.

Major IT orders

Stora Enso Oyj placed an international order for a SAP enterprise resources planning system for deployment in 32 mills around the world. The system will have some 14,000 users.

We delivered a comprehensive SAP enterprise resources planning system to UPM Rafsec and agreed with Oy Metsä-Botnia Ab on hosting services, and on a supply chain management and reporting system project as part of an expansion of the SAP enterprise resources planning system.

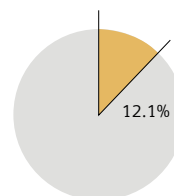
We delivered a customer relationship management partition for the ERP system and hosting services and application support for the entire system to both Finland Post Corporation and Oy Teboil Ab. We signed an applications support and SAP hosting services contract with Metso Panelboard Oy.

Sanitec Corporation placed an order for an extension of the SAP enterprise resources planning system to also include financing services. PPTH-Norden Oy and Siemens Osakeyhtiö

Net Sales
In Finland and the Baltics €46.5 million
Global appr. €5 billion

Employees
In Finland and the Baltics 286

Share of Group Sales
In Finland and the Baltics 12.1%



concluded a five-year SAP R/3 hosting services agreement. PPTH is one of the first companies in Finland to place its reliance on the Linux operating system in production use.

Our cooperation with the Finnish Defence Forces continued with the development and deployment of an extensive information security solution and implementation of data warehousing solution, internal accounting and financial planning.

We signed a contract with Fazer Bakeries to deliver a comprehensive Axapta ERP system to the group's subsidiaries in Estonia, Latvia and Lithuania. Another significant order from the Baltics was for the delivery of an extensive SAP enterprise resources planning system to the city of Tallinn.

The future - IT

Interest in enhancing operations is poised to increase in the future. Demand for outsourcing solutions is expected to grow. Aside from the outsourcing of information systems, business processes are increasingly being outsourced. Our extensive industrial and process excellence and lasting customer relationships provide a sound platform on the outsourcing market.

There is a marked increase in interest in customer relationship and supply chain management, as well as in developing business excellence. The future will see more and more demand for optimizing and electrifying business processes and for enhancing procurement processes. We believe long-term commitment to developing our customers' business and extensive in-depth industrial excellence will ensure our continued success in this area. New potential is also being generated by the increasing convergence of IT and communications. During the year under review, the HiPath voice solution was standardized with the SAP system.

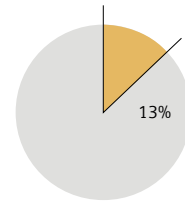
Energy

During the year under review, the largest single decision in the energy sector was when Teollisuuden Voima Oy (TVO) signed a contract with a consortium formed by Framatome ANP and Siemens AG for the turnkey delivery of a fifth nuclear power plant unit in Finland to the Olkiluoto site in Eurajoki.

Net Sales
In Finland and the Baltics €49.7 million
Global appr. €11 billion

Employees
In Finland and the Baltics 280

Share of Group Sales
In Finland and the Baltics 13%



Power plants and grid companies enjoyed brisk trading during the year under review. This was partly owing to a need to improve the dependability of electricity transmission and partly to a need in certain towns and cities to improve land use. In contrast, a very sluggish year on the industrial front also reflected in the power business.

Siemens serves its customers in power generation, transmission and distribution. The power generation portfolio includes power plants, steam and gas turbines, and power plant automation. Siemens' power transmission and distribution products and services include substations, transformers, protection and control systems, industrial and power plant electrification. Siemens also offers a range of maintenance services.

Our main customers are municipal power utilities, industrial power generation units, energy companies, grid companies, and producers of basic energy.

The close of the year under review saw the integration of Alstom's industrial turbine business into Siemens Osakeyhtiö. Siemens AG acquired Alstom's under 50 MW gas turbine and under 100 MW steam turbine businesses. These turbines provided a major addition to Siemens' portfolio of industrial energy production products and will greatly expand maintenance operations also in Finland.

Finland to go ahead with fifth nuclear power plant unit

Framatome ANP is to supply the reactor, ancillary components and buildings for the new Olkiluoto 3 nuclear

power plant unit. Siemens' share of the project includes a steam turbine and generator, transformers, switchgear, instrumentation, turbine automation and protection, the turbine building, electrification and pipework, installation, and commissioning.

The Olkiluoto 3 unit will have a net capacity of around 1600 MW and is scheduled to be operative in spring 2009. Turbine installation will start in 2007. Olkiluoto 3 will be a European Pressurized Water Reactor (EPR) plant.

Fingrid, the national grid company, has started work on strengthening the main grid and on improving protection to link the new nuclear power plant unit to the main grid.

Cities invest in power transmission and distribution

Finland's largest cities have begun to invest in improving the reliability of power transmission. Furthermore, brisk construction in the Helsinki Metropolitan Area has increased electricity consumption, which in turn fuelled a growth in investments in the 110 kV and 20 kV range.

During the year under review, we signed a contract with Helsinki Energy to supply 110kV GIS equipment for the Suvilahti substation and 20 kV GIS equipment for the Viikinmäki substation.

Siemens Osakeyhtiö supplied 110 Kv and 20 kV GIS equipment and substation protection for E.ON Finland's new electricity substation at Verno in Espoo.

We agreed with Tampere Energy Utility to deliver



A third nuclear power plant unit, scheduled to come on stream in spring 2009, is to be built next to the existing two units at Olkiluoto.

110 Kv and 20 Kv equipment for the Ratina substation scheduled for completion in summer 2005.

Focus on power transmission reliability

During the past fiscal year, Fingrid Oyj placed an order with Siemens to build a 400 kV power line in connection with an enlargement of the Toivila and Vihtavuori substations. This will improve power transmission reliability in Central Finland. The project involves almost entirely new 400 kV switch plants for both stations. Extension work is scheduled for completion in late November 2005.

In connection with the Remes project, Siemens secured a contract with TVO to replace the medium voltage equipment of the Olkiluoto 1 and 2 power plant units. The project will be completed in two phases, summer 2005 and summer 2006. During the fiscal year under review, Siemens and TVO also concluded another agreement relating to Olkiluoto 3, this time to enlarge high voltage distribution.

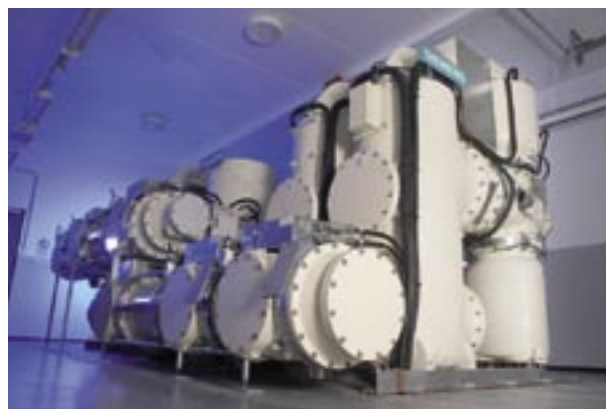
Energy production and power plant automation orders and projects

Major projects completed during the past year include delivery of the world's largest backpressure turbine plant (145 MWe) to Wisapower Oy in Pietarsaari. The turbine plant came on stream as scheduled in May 2004.

New projects during the fiscal year included a start on the delivery of a district heat-condensing power plant (35 MWe) under an agreement signed with Etelä-Savon Energia.

On the power plant automation front, work progressed as planned on replacing turbine island automation at the Olkiluoto 1 and 2 units and on delivering a training simulator. The project will take four years and delivery will be complete in summer 2006.

The year under review saw us upgrade the power plant automation at Kemira Oyj's Oulu plant. We modernized a power plant control room for Seinäjoen Voima Oy and delivered automation systems to Foster Wheeler for new biopower plant projects at König Wusterhausen and Papenburg in Germany.



The GIS equipment delivered by Siemens to E.ON Finland Oyj's electricity substation at Vermo in Espoo enhances both the station's safety and reliability.



Baltics account for about 50 per cent

Around 50 per cent of the net sales of Siemens Osakeyhtiö's energy business is generated in the Baltics, where basic investments in modernizing power networks continue. Siemens is closely involved in projects to strengthen the power generation and distribution network in Estonia, Latvia and Lithuania.

During the year under review, business was very brisk on the power transmission and distribution market in Estonia, where Siemens is working on several turnkey projects.

Over the past fiscal year, Siemens Osakeyhtiö delivered three electricity substations to Eesti Energia AS: Harku, Endla and Järveküla. Additionally, we also secured a new order to deliver a substation to Tartu. These projects are being carried out together with AS Siemens, our Estonian subsidiary.

In Riga, Latvia, Siemens is progressing as scheduled with the delivery of a TEC-1 co-generation power plant project.

Plans are also underway to build a large new CHP plant in Riga.

The future

In Finland, the construction of a new nuclear power plant unit at Olkiluoto will increase investments in the energy sector and also create new opportunities for Siemens Osakeyhtiö. Our strengths include the constant development of our own excellence, a deep insight into our customers and a good local track record. Before the completion of Olkiluoto 3, several years will need to be spent on strengthening Finland's main grid. This in turn will provide the impetus for investments in the energy market.

The outlook in all the Baltic States remains encouraging.

Effective, environment-friendly power generation is in the interests of both the private sector and the national economy. Customers value Siemens' extensive energy technology, the use of new technology, production efficiency, and our respect for sustainable development.

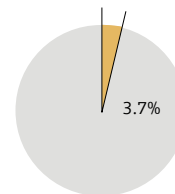
Building Technology

Siemens is one of the world's largest suppliers of building automation solutions and also offers total solutions for building infrastructure, automation, control and reporting.

Net Sales
In Finland and the Baltics €14.1 million
Global appr. €4 billion

Employees
In Finland and the Baltics 195

Share of Group Sales
In Finland and the Baltics 3.7%



In the building technology sector, Siemens' business comprises building automation systems and maintenance services, air conditioning and ventilation adjustment and control systems, fire detection systems and associated maintenance services, burglary prevention, access control and video surveillance systems.

Major customer segments in the building technology business include industrial and commercial buildings, shopping centers, hotels, the defense forces, and public buildings like hospitals and universities.

Major orders and projects

Siemens delivered a fire detection system to the underground coal storage facility at Helsinki Energy's Salmisaari power station. The peculiar nature of the site called for particular attention to fire safety. The storage facility comprises four 40-meter wide and 65-meter high silos and the conveyor belts linking them. In parts the facility is 120 meters below sea level.

Additionally, we also signed a contract with Fortum Corporation to replace the fire protection system across the Porvoo refineries site. The project will last several years. We agreed with Outokumpu Stainless Oy to carry out fire protection of the RAP5 line in the cold rolling mill.

The year under review saw Turku Castle being fitted with a new, intelligent, interactive fire detection system, which features the latest technology, cordless detectors. The new detection system in Turku Castle employs state-of-the-art addressable technology, with each detector in each room having its own name, thus allowing the fire warning to be pinpointed exactly.

A Siemens building automation system will be installed in the Sello shopping center at Leppävaara in Espoo.

Work continues on building the Espoo Life Science Center. The third building is scheduled for completion in March 2005 and will also have Siemens' building automation technology.

During the year under review, Siemens secured an order to deliver a building automation system for the technically demanding Centre for Metrology and Accreditation at Otaniemi in Espoo.

On the security technology front, we agreed with VR Osakeyhtiö on the delivery of mobile surveillance systems and cameras for train carriages. The mobile cameras will be deployed in a bid to further enhance passenger safety.

The future

A new system generation will enhance the potential to leverage synergies in real estate and industrial automation.

Safety technology and electronic security is one business area likely to continue growing in the future.

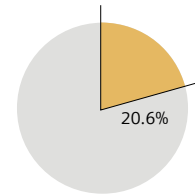
Industry

Siemens offers an extensive portfolio of industrial automation and electrification solutions, consultation, planning as well as service and commissioning services. In future Siemens will focus on customer relations and service business.

Net Sales
In Finland and the Baltics €79 million
Global appr. €15 billion

Employees
In Finland and the Baltics 192

Share of Group Sales
In Finland and the Baltics **20.6%**



Industrial investments in Finland remained at a low level during the past fiscal year. However, Finnish exports are back on the growth track. For Siemens Osakeyhtiö, this is reflected in more orders from equipment manufacturers and higher product sales. Once again, there was little investment in the pulp and paper and metals industries during the past fiscal year.

Siemens offers an extensive portfolio of solutions for industrial electrification, automation and instrumentation. Siemens' portfolio includes also industrial IT solutions. There is a clear tendency in the market towards turnkey deliveries, where one supplier assumes overall responsibility.

Customers are provided with systems and services throughout the lifecycle of an industrial plant. Industry customer support and services ensure our customers' processes are kept up and running. Technical support and service have been integrated to provide synergetic advantages.

Siemens carries out systems modernizations to prolong the useful life of machinery, enhance safety and improve uptime. We also provide an extensive range of training courses for industrial customers. After training, skills are consolidated by hands-on practice.

Customers mainly include companies in the process, pulp, paper, and metals industries for whom we implement various part projects and turnkey projects. Aside from end customers, other customers include various equipment manufacturers, panel builders and automation companies. Retailers and electrical wholesalers are also Siemens customers.

Integrated automation

Automation, electrical drives and low voltage equipment are based on our Totally Integrated Automation (TIA) concept. Siemens continued work on launching TIA during the year under review. We now offer customers a more extensive product portfolio, with low voltage components strongly recommended. All components in TIA systems are mutually compatible. Bus systems and software solutions enable various subareas to speak the same language. Shared databases and standardized software thus facilitate projects.

Siemens bears responsibility for ensuring systems function at an industrial plant. This not only means the customer knows who to turn to in the event of any problems, but also enables a quick start to be made on analyzing the problem. The service organization is responsible for maximizing a customer's production capacity and minimizing disruptions.

During the past fiscal year, our Industry business group addressed its customer relationship management system. We improved accessibility by highlighting a local presence near the customer throughout Finland in a bid to ensure dealer avenues provide the best possible service also to small customers. This move was very well received by customers, who are now able to obtain products direct from dealers' stocks.

During the year under review, e-business continued to become an increasingly stronger link in our logistics chain and Siemens Osakeyhtiö receives around 40 per cent of orders for industrial products online. This figure is expected



to rise further. Detailed information about products and software update packages is available over the Web. We hope this makes it easier for customers to deal with us.

Major orders and projects

Ports around the world have begun to acquire crane systems. During the year under review, Siemens' operations highlighted the importance of crane companies, and particularly companies manufacturing cranes for ports.

Siemens Osakeyhtiö signed a contract with SWTP Construction Oy to deliver process automation for a wastewater treatment plant to be built in St. Petersburg, Russia. Delivery also includes a communications network, camera system, field equipment and installation, project management, design and after sales services. The treatment plant is scheduled to enter commercial service in April 2005.

We also signed an agreement with Saint-Gobain Isover Oy to automate a new production line at a glass wool factory in Egorievsk, more than 100 kilometers to the southeast of Moscow in Russia. The production line will be operative in July 2005. Delivery includes a Simatic PCS7 automation system, field equipment, valves, cabling, and installation, and is the second production line to be built at the factory. Siemens provided the automation technology for the factory's first production line, which came on stream in October 2003.

The year under review also saw us secure a contract to automate a production line at the Tikkurila Oy paint factory.

On the pulp and paper mill front, we signed a contract with UPM-Kymmene Corporation to upgrade the line

drives on paper machine PM8 and calenders at the Tervasaari Paper Mill. We agreed with Stora-Enso Oyj to replace the line drives on PM8 at the Kaukopää Mill and with Myllykoski Paper Oy to adjust the drives on PM4.

On the metals industry front, we secured a contract with Outokumpu Stainless Oy to enlarge the slab handling, roller cooling and security gates systems in the hot rolling mill and to modernize the Hercules roll grinder at the Tornio works. In addition, we agreed with Outokumpu Stainless on various expansion projects and maintenance relating to the RAP5 (rolling-annealing-pickling) line at the cold rolling mill.

There was a further rise in the number of service contracts concluded during the year and the service capacity utilization rate remained reasonable.

The future

In industry, the market is likely to remain modest during the forthcoming fiscal year, even though Finnish industry has begun to take a turn for the better.

The upswing in the economy and industrial production in China may also impact on the outlook for the Finnish export industry.

In Finland, although signs of investment have begun to be evidenced in the forest industry, the outlook still remains very modest.

Despite the gloom, the construction of a new nuclear power unit at Olkiluoto is likely to have a positive impact on future development.

Healthcare

Siemens is the largest supplier of imaging systems in the Finnish healthcare sector. Increasingly faster, more accurate, user-friendly imaging systems translate into quicker, more precise patient diagnoses, whilst delivering the added benefits of better treatment.

Swedish-based Siemens AB Medical Solutions group (Med) is responsible for healthcare technology sales in Finland. Healthcare technology products and services include magnetic resonance imaging (MRI) systems, information systems and technical UPTIME services. Customers include university, central and regional hospitals, public health centers and private medical practices.

Siemens provides healthcare solutions that transfer information from patient systems to hospital data systems to enable faster, more precise treatment. The use of hospital capacity can be followed in real-time and thus optimize workflow. The systems feature a shared interface, to facilitate working, and to enable automatic information transfer from one system to another.

During the year under review, Med employed 43 people in Finland.

Major orders

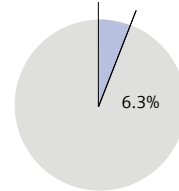
In late 2003, Siemens rolled out its innovative Magnetom Avanto MRI system based on Tim (total imaging matrix) technology. The system provides images of the whole body in less than 12 minutes, without having to reposition the patient. The Magnetom Avanto has been an overwhelming success in Finland and elsewhere in the world. During the year under review, Tampere University Hospital, the Mehiläinen Hospital in Helsinki, and Kuopio University Hospital each placed an order with Siemens for the Avanto.

During the year under review, we won an order from Mehiläinen Oyj to deliver an Emotion 6 CT computed tomography scanner.

Net Sales
In Finland and the Baltics €25.1 million *
Global appr. €7 billion

Employees
In Finland and the Baltics 59

Share of Group Sales
In Finland and the Baltics **6.3%**



Siemens also refurbishes imaging systems. This is just one example of how we recycle and take the environment into account. To take a case in point, 90 per cent of MRI system components can be recycled. Additionally, the factory takes back pre-owned medical systems and refurbishes them for resale with a warranty. There is a growing secondary market for healthcare systems removed in conjunction with new acquisitions. During the year under review, we delivered a completely refurbished CT system to the Finnish Institute of Occupational Health.

Also during the year under review, the Turku PET Centre, a Finnish national research institute promoting the use of PET in medical research, acquired from Turku Imanet Oy a PET scanner delivered by Siemens. The PET scanner is a useful clinical tool for doctors in diagnosing cancer and monitoring treatment, for example. The system features isotopic image resolution where the scanner can, for instance, detect cancer metastasis. Scientific and pharmaceutical research is another important area of application.

We also signed four agreements during the year under review to deliver an isotopic image resolution system to Tampere University Hospital, Helsinki and Uusimaa Hospital District (HUS) Jorvi Hospital in Espoo, Central Finland Central Hospital, and the North Karelia Central Hospital in Joensuu.

We delivered an AXIOM Artis AP angiography system intended for vascular imaging to Mikkeli Central Hospital and an AXIOM Artis dFC system intended for coronary artery imaging to Kymenlaakso Central Hospital during the year under review.

The fiscal year also saw us sign an agreement to de-



The exceptional openness and short dimensions of the Magnetom Espree, Siemens new magnetic resonance imaging system, make for added patient comfort and reduce claustrophobia.

liver a health information system to two HUS units: a joint system for the Kätilöopisto Maternity Hospital and Department of Obstetrics and Gynaecology in Helsinki and one for Jorvi Hospital in Espoo.

Siemens' Acuson ultrasound systems were delivered to Tampere University Hospital, Lapland Central Hospital in Rovaniemi for use in child cardiology research, and to the critical care department for newborn babies at the HUS Hospital for Children and Adolescents in Helsinki. Since the smallest patient can weigh less than one kilo, ultrasound examinations of newborn babies are a major challenge.

The future

There is further pressure to cut investments in public healthcare. Government contributions have declined

and, in a continued bid to cut costs, hospitals are merging functions and inviting suppliers to tender. Nevertheless, since efforts must be made to maintain present standards and systems need to be regularly replaced or upgraded, targeting savings at imaging systems is not an easy option.

At the turn of the fiscal year, Siemens healthcare technology had healthy order books and a constant stream of new, innovative products available.

* Includes Siemens AB's Medical Solutions' sales in Finland

Transportation

Siemens is a major provider of rail system products and solutions. Products include trains, locomotives, metro carriages and networks as well as rail traffic solutions for cities, ports and airports. Siemens' distinguished track record is a result of innovative concepts built on automation, module system and technological platforms combined with excellent quality and safety.

Siemens is continuously developing new interlocking technologies for rail traffic. The Finnish Rail Administration is Siemens Osakeyhtiö's biggest signaling and interlocking systems customer in Finland.

Siemens is one of the world's top three turnkey providers of rail traffic solutions. Siemens' reputation as a dependable, technical innovator in this field has, for example, resulted in orders for over 1,200 train carriages from the UK since the country's railways were privatized in the mid-1990s. An example of the rail traffic business from the previous fiscal year is a contract secured by a consortium comprising Siemens AG and Alstom Transport to deliver 400 electric locomotives to SNCF of France.

Rail traffic products and services provided by Siemens Osakeyhtiö include signaling systems, traffic control, remote control and electrification systems and related project management, commissioning and maintenance services, and rolling stock.

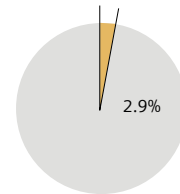
In vehicular traffic, Siemens also delivers various road traffic and multi-storey car park systems. The portfolio includes road traffic control systems, remote monitoring systems, intersection controllers and signal heads, parking ticket vending machines and systems, variable message signs and traffic telematics.

During the year under review, Siemens established an engineering center in Latvia to train local people to become rail interlocking technology experts.

Net Sales
In Finland and the Baltics €11 million
Global appr. €13 billion

Employees
In Finland and the Baltics 20

Share of Group Sales
In Finland and the Baltics 2.9%



Rail projects

The year under review saw the completion of the interlocking system on the line between Oulu and Tornio. This was Siemens' 200th SIMIS-C interlocking system delivery worldwide and the tenth in Finland. Delivery included signaling systems at a total of seven stations on the line concerned. The project was a turnkey delivery, which aside from interlocking systems also included communications links and their installation.

Siemens has agreed on deliveries of the overhead contact line material and already delivered interlocking system technology at Hakosilta station on the new direct train line between Kerava and Lahti, which is scheduled for completion in 2006.

Siemens Osakeyhtiö has a five-year framework agreement with Finnish Rail Administration to deliver point machines and is delivering new point machines for turnouts to be assembled at VR Track Ltd's turnouts hall in Pieksämäki.

Additionally, deliveries under the Orivesi-Länkipohja interlocking project continued during fiscal 2003/2004.

Orders for road traffic and parking control systems

On the road traffic front, the current focus is on telematics, or the collection of diverse road use data from roadside measuring points, and on remote controlled



The EuroSprinter ES 64 F4 locomotive is able to operate at all common voltages used in Europe and is thus ideal for cross-border rail traffic.

signals and traffic control systems, which are used to improve road safety and traffic flow in changing road and weather conditions.

The motorway between Paimio and Muurla was opened to traffic on November 11, 2003. Siemens Osakeyhtiö delivered some 180 variable message signs to the Finnish Road Enterprise for a stretch of motorway between Turku and Paimio and the motorway between Paimio and Muurla. The signs work using LED technology and include speed limits, information boards and tunnel lane control signs. To date, the order is the largest of its kind for variable message signs in Finland.

During the fiscal year, Siemens signed a contract with the Finnish Road Administration to deliver queue-numbering systems for heavy vehicles at the border crossing points to Russia at Vaalimaa in Virolahti and Nuijamaa near Lappeenranta.

We agreed on the delivery of a SIPARK parking guidance system to the Sello shopping center at Leppävaara in Espoo. Siemens' SIPARK system for multi-storey car parks tells in real time the number of free parking spaces available and directs the driver to a free space. Drivers see information about free spaces along entrance routes and driving lanes both at the parking level and in the car park as a whole.

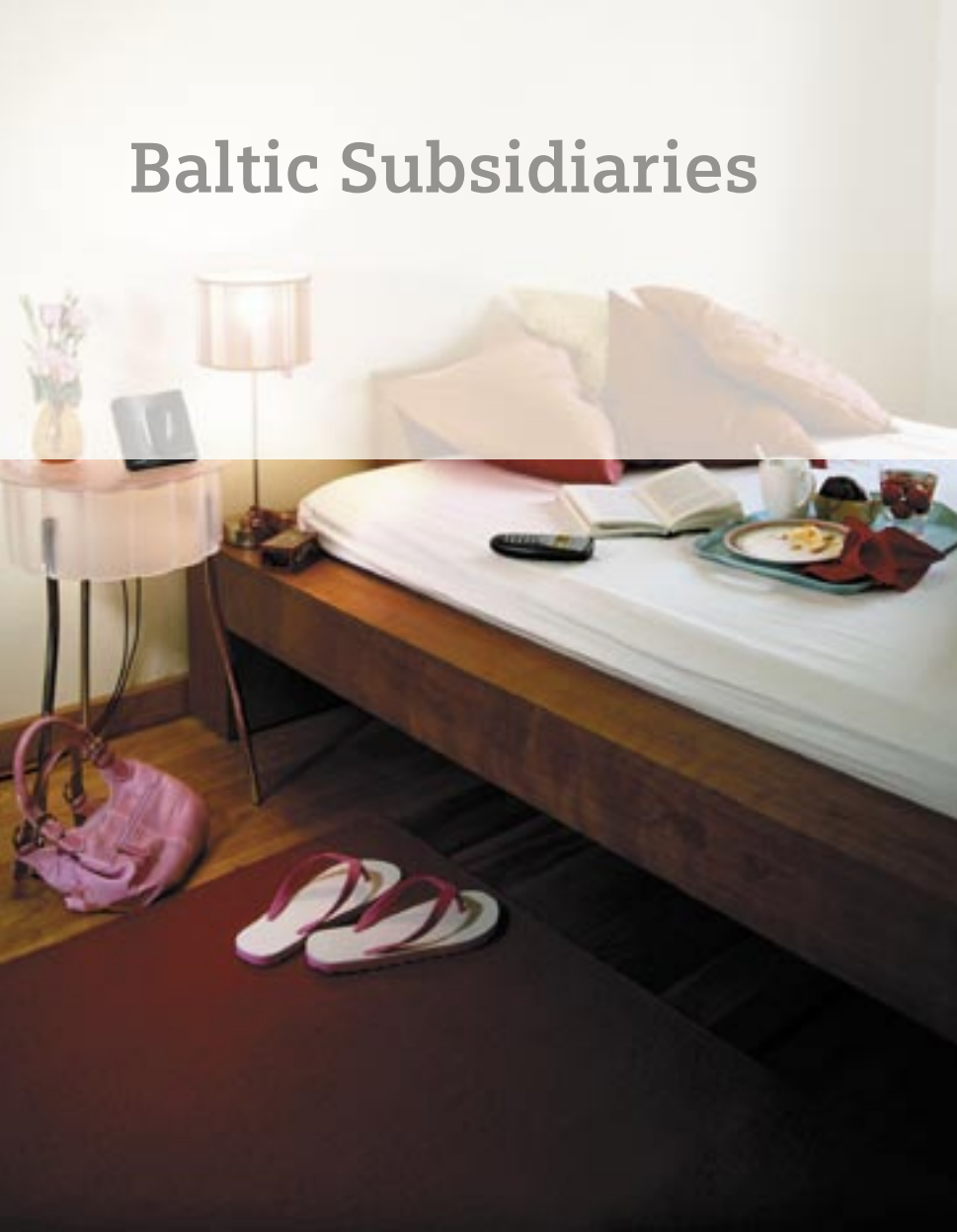
The future

On the rail traffic front, Finnish Rail Administration continues to actively develop the railway network in Finland. However, finance depends on appropriations in the state budget, which may have an influence on various development projects.

In the Baltic States, EU membership and EU aid have opened up new opportunities for Siemens in major railway infrastructure development projects. This provides added prospects to improve rail traffic.

Baltic Subsidiaries

AS Siemens, Estonia	37
Siemens SIA, Latvia	38
UAB Siemens, Lithuania	39



Share of Group Net sales 11%
 Net sales €42 million
 Income before taxes €1.3 million
 Employees
 AS Siemens 66
 AS Siemens Electroservices 205

AS Siemens, Estonia

Estonian economic growth for 2004 is estimated to be around five percent. New international companies wanting to take part in public tenders have intensified the competitive climate. In ten years, AS Siemens has achieved a stable position as a partner in Estonian business life. The Power business area again performed well over the past year. There was also a surge in demand for IT services.

Major orders

Successful cooperation continued with Eesti Energia AS. We concluded agreements on the 110 kV electricity substation at Järvekülä, Endla and Tartu and delivered a 330 kV electricity substation, Estonia's largest, at Harku. There was a sharp decline in service collaboration between Eesti Energia and AS Siemens Elektroservices, a subsidiary of AS Siemens. The resources freed were deployed in projects in the other Baltic States and Finland.

Eesti Raudtee (Estonian Railways) placed an order for a signaling and railway control system at Narva Station.

During the past two years, IT solutions and services have begun to account for an important share of AS Siemens' business. The largest order during the past fiscal year was an SAP enterprise resources planning system placed by the city of Tallinn. The Estonian Ministry of Finance ordered an SAP-based information management system. AS Siemens delivered computer workstations and installation throughout Estonia for the Ministry of Justice.

During the year under review, GSM operator Tele2 placed an order with Siemens for an expansion of the mobile phone network, including GPRS, and modernization and expansion of the IN system. Decisions are expected on the construction of a 3G mobile phone network (UMTS). Demand by telecom operators for broadband was slacker than expected.

During the past fiscal year, AS Siemens modernized the telephone network of Televõrgu AS, a subsidiary of Eesti Energia, by delivering a HiPath 4000 server and new applications to Televõrgu's Tallinn office. Televõrgu upgraded its service center with a HiPath ProCenter Advanced V5.1 and the center was integrated into Eesti Energia's customer information system. Siemens has agreed with the Estonian police to upgrade the telephone system at the Tartu headquarters.

Healthcare technology had a good year in Estonia, with the delivery of two angiograph systems to the North Estonian Regional Hospital.

AS Tartu Vesi placed an order for a water treatment automation system and AS Põlva Vesi for a wastewater treatment automation system. We delivered an automation system to transport fuel to AS Narva Elektriijaamad's power plant. Stora Enso Oyj ordered an IT system for the wood processing line at Näpi Sawmill and we delivered an Instabus building automation system to Eest Energia.

The future

IT and telecommunications continued to account for our principal business. Investments in the basic infrastructure are in decline but service business is increasing. Drawing on local excellence in the delivery of IT solutions and services, for instance, increases business profitability. In the energy business, we provide services for the entire group, also for Finland. EU funding is expected to be directed towards technology projects by 2006 at the latest. Steady business, local excellence and lasting cooperation with major customers continue to create a sound platform for future business.

Share of Group business 17%
Net sales €65 million
Income before taxes €3.1 million
Employees 99

Siemens SIA, Latvia

The Latvian economy is expected to grow by 7-8 per cent during 2004. A change of government slowed the utilization of EU funding. Telecommunications and the energy sector account for most of Siemens SIA's business.

Major orders

Siemens SIA delivered an expansion, with GPRS, to mobile operator Tele 2's GSM network. Siemens retained its market leadership in sales of broadband technology. The year under review saw two long-term contracts signed with Lattelekom SIA for broadband access networks and related end user devices. Demand for mobile phones remained healthy.

On the energy front, Siemens is market leader in electricity substation deliveries. During the year under review, Siemens SIA completed the largest energy transmission and distribution project in Latvia, the 330/110 kV electricity substation project at Bišuciems for JSC Latvenergo. The turnkey project took almost two years to complete. Siemens also delivered protection, automation and a control system for Latvenergo's 330 kV substation at Likсна.

Siemens is to deliver a TEC-1 thermal heating plant to Latvenergo on a turnkey basis.

Siemens SIA saw its IT excellence grow through the establishment of a 20-person SAP consultancy group. Siemens SIA signed contracts for SAP enterprise resources planning systems with the Latvian Ministry of Finance and SIA Kesko Food.

Just before Latvia joined the European Union, Siemens SIA completed a project embarked on for the Latvian Ministry of the Interior in 1998 to modernize the control system on Latvia's eastern frontier. Siemens delivered the information, communication and control systems.

The future

The following fiscal year will see the start of major EU-funded infrastructure construction projects on the railways and at the Ministry of the Environment. Major EU-funded investments are also anticipated in the energy sector. Greater use of credit has spawned a major growth in building construction and repair. This is expected to create new business opportunities.

Share of Group business 13%
Net sales €50 million
Income before taxes €4.4 million
Employees 83

UAB Siemens, Lithuania

The Lithuanian economy is expected to grow by around 7 per cent in 2004. Lithuania joined the European Union in May 2004. UAB Siemens, which celebrates its tenth anniversary in 2005, has performed particularly well as a supplier of communications networks, IT solutions, industrial automation and electricity substations.

Major orders

UAB Siemens lasting partnership with telecom operator Lietuvos Telekomas continued with an expansion of ADSL broadband connections. In future, we expect business opportunities to arise from business models as triple-play solution, which enables to provide video, voice and data via the same DSL-line.

The year under review saw the successful launch of communication network hosting services for corporate customers. UAB Siemens completed an emergency response center in the city of Vilnius. Carried out as a pilot project, good results have led to plans for a nationwide system. One of the largest communications contracts secured was with a new customer, NORD/LB Bank. The contract includes network upgrading and a five-year hosting services agreement.

The success of mobile networks in Lithuania continued. Siemens delivered a network expansion with GPRS and related services to Tele2, the fastest growing mobile operator. On the mobile phones front, Siemens retained its number two position in Lithuania with a market share of around 30 per cent.

There is growing demand for IT solutions in Lithuania. UAB Siemens has delivered major ERP systems to Lithuania Post and to Lithuania's largest bakery company UAB Vilniaus Duona Plius, which is part of the Fazer Bakeries Group.

Siemens further consolidated its leadership as a supplier of industrial automation systems and now has an ap-

proximately 45 per cent share of the Lithuanian market. Siemens delivered business control applications to Wemar Masinos, a new customer which makes slitters and rewinders. We also delivered medium voltage converters to control the water pumps at Vilnius Power Plant. Another major contract was with Water Company for Waste Water Treatment Plant in Vilnius, to modernize 11 pumping stations. Siemens is to upgrade the technology of a new industrial customer, UAB Marijampoles Pieno Konservai canned milk factory, one of the largest dairies in Eastern Europe.

Siemens ranks number two on the power transmission and distribution market. We concluded a contract with Eastern Distribution Utility to modernize the 110/35/10 kV electricity substation at Rase. Other electricity substation contracts concluded during the year were with AB Lietuvos Energija to upgrade the 110/35/10 kV substation at Vievis, and the 110/10 kV substations at the airport and Amaliu. Siemens also delivered the external field equipment for a 35 kV substation to JSC Hidroenergija, a new customer. UAB Vilniaus Energija signed a major contract with us to modernize the control system of the number one unit of Vilnius CHP.

Siemens continued to deliver healthcare technology to Kaunas University Hospital, as well as systems and solutions to the heart surgery center.

The future

During its almost ten years of trading in Lithuania, UAB Siemens has gained a steady foothold in the market. Over the next few years, EU funding is expected to have a positive impact on economic growth. Major projects in the energy sector and in industry and a growing demand for IT services will continue to create opportunities. It is anticipated that Lithuania telecom operators will soon start to invest in 3G mobile networks.

Other Siemens Companies in Finland

Siemens Financial Services Oy

Siemens Financial Services Oy is part of the Siemens Financial Services Group and provides financing solutions for its partners in the healthcare science, 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. Siemens Financial Services provides leasing finance solutions for the purchase and replacement of computers, telephone systems, medical equipment, office equipment and production lines or parts thereof. The company has a subsidiary in Estonia.

Siemens Financial Services Group secured orders of around €50 million in 2004 and employs a total of 20 people in Finland and 6 in Estonia.

Oy Osram Ab

Osram's products include various lamps, light emitting diodes (LED semi conductors) electronic connectors and lighting for professional and home use alike. The company's customers include electrical wholesalers, central grocery stores and other lighting and equipment manufacturers. Osram's sales were up 11 per cent on the year to reach €20.7 million and the company employed 15 people.

Sales growth was 11 per cent in Finland and 12 per cent in the Baltics. During the fiscal year under review, the electrical wholesale market rose by some six per cent in Finland and five per cent in the Baltics. Osram improved its market position, with sales in both market areas rising faster than in the markets as a whole. Fastest growth was witnessed in LED semi conductors and electronic connectors.

As light production improves and unit price falls, the use of light emitting diodes is set to rise in the foreseeable future. With the neon advertising sector in particular increasingly switching over to LED technology, we expect strong market growth in both Finland and the Baltics. Also energy saving lamps are continuing to poach the market share of traditional products.

Osram seeks to work with its customers to create unrivalled logistics, to continuously enhance its customer service and thus remain a pivotal player in the lighting business.

Fujitsu Siemens Computers Oy

Fujitsu Siemens Computers products are corporate workstations, portable computers, palmtops, tablet PCs, server hardware, storage systems and home computers. The company's customers are companies and organisations of all sizes, public administration and consumers using information technology.

Owned on a 50-50 basis by Fujitsu Ltd and Siemens AG, Fujitsu Siemens Computers ended its fourth fiscal year on March 31, 2004 as the third largest hardware manufacturer in Europe.

The Finnish sales company reported net sales of €122 million, up by an impressive 33 per cent on the figure for the previous year. The company ranked in second place on the Finnish PC hardware market, with a healthy 20 per cent share of the market.

Growth was particularly generated from sales of portable computers and an expansion and intensification of the company's business among small and medium-sized customers.

The company successfully retained its market leadership of the home computer market.



Although the outlook on the IT market is challenging, the overall economic situation gives us reason to expect the 12 months ahead to be slightly busier than the past couple of years. Fujitsu Siemens Computers is continuing its strategy of focusing on delivering various portable terminals and server system solutions to companies and organizations of all sizes. The excellence of its people, HR development and incomparable commitment to partnership with its distribution channel are the resources on which the company expects to further strengthen its position on the Finnish IT market.

BSH Kodinkoneet Oy

BSH Kodinkoneet Oy imports, markets, sells and services Siemens, Bosch and Gaggenau household appliances. During the year under review, the company had a turnover of around €50 million and employed 49 people. BSH Kodin-

koneet retailers are household appliance stores and fitted kitchen manufacturers.

The household appliance market grew during 2004. Also BSH Kodinkoneet Oy increased successfully sales on the year.

There has been a marked rise especially in the sale of quality household appliances and in-built appliances.

The outlook for BSH Kodinkoneet is bright. Exports to the Baltics have risen steadily and the quality products BSH Kodinkoneet represents on the Finnish market are holding up well in a competitive climate. BSH has also addressed the sale of small appliances and increased its share of the small appliance and vacuum cleaner market.



Safety and user friendliness are key features in this Siemens Gigaset E150 cordless phone, which has a large, clear display and keys.



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Business Report

Siemens Osakeyhtiö Group – report for October 1, 2003 to September 30, 2004

Business environment

Finnish GNP is expected to grow by over three per cent during the fiscal year under review and to continue growing at around this rate until 2006. Brisk housing development provided momentum to investments during the past fiscal year, which also saw the start of major infrastructure projects; the construction of a new nuclear power plant unit and a start on the new state-of-the-art harbour to be built at Vuosaari provided a welcome impetus to business life. Investments in machinery and equipment rose slightly towards the end of the fiscal year.

New orders and net sales

The Group secured new orders worth €404 million, up by 13 per cent on the year. New orders were up on the year for Siemens Osakeyhtiö in Finland, especially in the Energy and Industry business areas. Each of the subsidiaries in the Baltics also secured more new orders than during the previous fiscal year, with Siemens SIA in Latvia achieving the highest rate of growth. Growth was particularly evident in the Telecommunications, Energy, and Building Technology areas.

Group net sales amounted to €383 million. A slight rise in net sales was largely attributable to the merger of Siemens Building Technologies Oy (SBT) into Siemens Osakeyhtiö halfway through the fiscal year. SBT's net sales for six months have thus been accounted for in the Group's net sales. Industry, Information and Communications, and Transportation areas all successfully increased net sales. Whereas net sales rose particularly in Finland, those of our Baltic subsidiaries shrank compared to the previous fis-

cal year, and contributed 41 per cent of Group net sales compared to the figure a year earlier.

Earnings

Group earnings were €27.6 million, up by 3.5 percent on the figure for the fiscal year ended September 30, 2003. Earnings were accounted for 7.2 per cent of net sales.

The earnings of Siemens' Baltic subsidiaries were down somewhat on the figure a year earlier and consequently accounted for a smaller contribution, 32 per cent, to Group earnings. Lower net sales in the Baltics are largely explicable by the fact that major telecommunications investments in those countries have now been completed.

Investments

Investments rose from last year's €4.1 million to €5.2 million and were primarily in real estate and IT equipment.

Changes in Group structure

On March 31, 2003, Siemens Osakeyhtiö acquired the shares in Siemens Building Technologies Oy (SBT). SBT merged into Siemens Osakeyhtiö and became one of its business groups on March 31, 2004.

Demag Delaval Industrial Turbomachinery Ltd's (DDIT) branch in Finland was integrated into Siemens Osakeyhtiö's Energy business group on September 30, 2004. The Finnish employees of DDIT's industrial turbine business acquired from Ahlstrom have already been working at Siemens' premises in Perkkää for about a year. DDIT has ten employees.

A decision was taken during the year under review to sell all Siemens Osakeyhtiö's shares in Wincor Nixdorf Oy to Wincor Nixdorf Oy.

Employees

The number of employees as per September 30, 2004 was 1,426, of which 973 worked for Siemens Osakeyhtiö and 453 for the Baltic subsidiaries. Mainly the merger of SBT resulted in employee numbers rising by 164.

Management

Risto Kortela served as Siemens Osakeyhtiö's CEO until May 31, 2004. Henrik Gayer BSc (Econ. & Bus. Adm.) was appointed the company's new CEO and chairman of the Board of Directors on May 12, 2004 and assumed the position on June 1, 2004.

Audris Barcevičius was appointed managing director of UAB Siemens effective October 1, 2003.

Corporate governance and auditors

The company's Supervisory Board comprised Kimmo Kalela, Industrial Counsellor, (chairman), Thomas Ganswindt, business group director, Siemens AG, (deputy chairman), Kari Jordan, executive vice president, Nordea AB, Olli Martikainen, professor, University of Oulu, Kalevi Nikkilä, president, Outokumpu Copper Products Oy, Jürgen Radomski, director, Siemens AG and Günter Gösmann, director Siemens AG, (deputy member).

CEO Henrik Gayer was appointed chairman of the Board of Directors. Other members are Michael Eidam and from December 4, 2003 Edgar Wittmann.

Albrecht Hagert, APA and Juha Jokinen, APA of KPMG Wideri Oy Ab were reappointed the Group's auditors.

Outlook

Industrial production figures are slowly improving in Finland and this may well be reflected in the willingness of industry to invest during the forthcoming fiscal year.

At an estimated rate of roughly five percent in Estonia, and around seven percent in Latvia and Lithuania, economic growth in the Baltics remains much brisker than in Finland. Siemens sees potential business in EU-funded infrastructure projects in each of the Baltic States.

Work started on Group restructuring at the start of the new fiscal year on October 1, 2004. This will see the introduction of major customer sales for all business areas and likewise a customer service unit serving all customers. The aim is to have it the new organizations up and running by the start of 2005.

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.

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.

Group Statement of Income

(US GAAP)
Year ended September 30,

(€1000)	2004	2003
Net sales	383,018	381,675
Cost of sales	-304,685	-312,532
Gross profit on sales	78,333	69,143
Research and development expenses	-12	-32
Marketing and selling expenses	-41,015	-34,092
General administrative expenses	-10,322	-8,555
Other operating income (expense), net	432	-198
Income from investments in other companies, net	279	150
interest income (expense) from operating activities, net	-28	242
other interest income (expense), net	-98	-25
Income before income taxes	27,569	26,633
Income taxes	-6,932	-6,535
Minority interest		
Net income	20,637	20,098

Group Balance Sheet

(US GAAP)
Year ended September 30,

(€1000)	2004	2003
Assets		
Current assets		
Cash and cash equivalents	2,299	1,375
Marketable securities	242	220
Accounts receivable, net	52,491	34,607
Intracompany receivables	8,167	23,701
Inventories, net	38,102	18,075
Deferred income taxes	841	545
Other current assets	5,841	4,688
Total current assets	107,982	83,210
Long-term investment in group companies	0	15,073
Long-term investment in associated companies	1,326	1,384
Intangible assets, net	9,116	3,814
Property, plant and equipment, net	38,461	38,568
Other assets	437	364
Total assets	157,323	142,414
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt and current maturities of long-term debt	957	157
Accounts payable	23,779	8,026
Intracompany liabilities	9,216	8,219
Accrued liabilities	19,851	18,270
Deferred income taxes	0	678
Other current liabilities	35,832	30,922
Total current liabilities	89,635	66,272
Long-term debt	295	313
Pension plans and similar commitments	1,430	1,233
Other accruals and provisions	33	33
Total liabilities	91,393	67,851
Shareholders' equity		
Common stock	18,870	18,870
Retained earnings	48,122	56,597
Accumulated and comprehensive income	-1,062	-904
Total shareholders' equity	65,930	74,563
Total liabilities and shareholders' equity	157,323	142,414

Group Cash Flow Statement

(US GAAP)
Year ended September 30,

(€1000)	2004	2003
Earnings before interest and taxes	27,569	26,658
Depreciation and amortization	5,409	5,082
Income from equity investees, net of dividends received	58	15
Change in inventories, net	-13,965	8,147
Change in accounts receivable, net	-7,193	4,804
Change in other assets	-860	-30
Change in accounts payable	2,249	-2,756
Change in accrued liabilities	-145	1,507
Change in other liabilities	1,676	-836
Net cash provided from operating activities	14,798	42,591
Additions to intangible assets and property, plant and equipment	-5,168	-4,077
Purchases of investments	0	-91
Retirement of property, plant and equipment and intangible assets	2,362	181
Retirement of investment	0	30
Change in other liquid assets	1	-6
Net cash used investing activities	-2,805	-3,963
Net cash from operations	11,993	38,628
Other interest income	0	-25
Income tax expense	-6,932	-6,535
Change in income tax accruals, receivables and liabilities	400	-2,214
Change in debt	809	214
Change in intercompany financing	29,998	-11,644
Dividends paid	-30,534	-9,909
Change in shareholders' capital paid in		
Total balance sheet reclassifications and changes in consolidation cycle	-4,821	-18,898
Net cash used in financing activities	-11,080	-49,011
Effect of changes in number of consolidated companies on cash and cash equivalents	2	
Effect of exchange rates on cash and cash equivalents	9	-37
Change in cash and cash equivalents	924	-10,420
Cash and cash equivalents at beginning of period	1,375	11,795
Cash and cash equivalents at end of period	2,299	1,375



Siemens AG

Siemens is a diverse industrial enterprise, a provider of solutions and services, a total supplier in many different sectors, and has a presence in 190 countries around the world. A global presence coupled with sound local excellence provides customers with a broad range of skills and seamless technological compatibility.

Siemens was founded in 1847 by Werner von Siemens, a diverse technological visionary and inventor. Then, as today, Siemens AG's philosophy is still best described by the phrase "Inventing the Future".

Studying the future, technical breakthroughs, identifying future customer needs and new businesses are an inherent part of the company's strategic planning. Siemens aims to determine future markets, business continuity and the possibilities offered by new technologies. The result is the right product or solution on the market at the right time.

Innovations have always been one of the most important elements of Siemens' strategies. Innovations can be used to cut costs, increase sales, and to generate earnings.

Siemens seeks to be a trendsetter in new innovations in as many business fields as possible. This is why R&D and patent management is inextricably intertwined with business strategies.

To take a case in point, Siemens' innovations are technological platforms used in the creation of new products such as security technologies, voice and image recognition. Materials of the future can be tailored at the atom level. Nanotechnology can be used to create new surfaces, better displays and faster computers. Biotechnology combines biology and technology. Adaptronics enables materials

to adapt to changing conditions of surroundings. Digitally networked hospitals, telemedicine and computer assisted care save costs and improve patient care. An entire laboratory can be transferred onto a small biochip.

A future challenge is to generate energy that saves both the environment and resources. Renewable energy sources such as geometric energy, and synthetic fuels made from natural gas and coal are already in sight.

Higher earnings

During the fiscal year ending September 30, 2004, Siemens AG had a net sales of €75 billion, a net income of €3.4 billion and employed 430 000 people. This represents a 39 per cent increase compared to net income a year earlier.

The Industry, Energy, Healthcare Technology groups, Osram and Siemens Financial Services were our top performers. The strongest growth areas are the USA, China, Russia, India, Japan and Central and Eastern Europe.

Change of President and CEO

Klaus Kleinfeld has been appointed to succeed Siemens AG's long-serving President and CEO Heinrich von Pierer. Siemens Annual General Meeting of Shareholders to be held on January 27, 2005 will propose that von Pierer assumes the position of Chairman of Siemens' Supervisory Board from the date of the meeting.

Siemens AG Key Figures

€M (US GAAP)	2003/2004	2002/2003	2001/2002	2000/2001	1999/2000
New Orders	80,830	75,056	86,214	92,528	83,426
Net Sales	75,167	74,233	84,016 *	87,000	77,484
Net Income	3,405	2,445	1,661	2,088	8,860
Net cash provided by operating activities	5,080	5,712	5,564	7,016	6,154
Net cash used in investing activities	-1,818	-3,939	-810	-5,886	-435
Research and development expenses	5,063	5,067	5,819	6,784	5,848
Shareholders' equity, Sept. 30	26,855	23,715	23,521	23,812	28,480
Employees, Sept. 30	430,000	417,000	426,000	484,000	448,000

* Excluding a tax-free gain of €936 million from sales of Infineon shares.

Siemens Companies Key Figures

	Net Sales, €M	Employees
Siemens Osakeyhtiö Group	383.0	1,426
Oy Osram Ab (sales in Finland)	20.7	15
Siemens Medical Solutions	18.2	43
Fujitsu Siemens Computers Oy (March 30)	122.5	54
Siemens Financial Services Oy Group	28.6	24
BSH Kodinkoneet Oy	50.0	49
Siemens Companies total, appr.	623.0	1,611

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