



SIEMENS

Finland

Growth ^{through} Innovation

Annual Review 2005

Quality of life through innovations

Each and every day you can be in touch with Siemens' products and services.

Siemens is behind the technology that ensures your everyday life runs smoothly. Siemens is there when your home is warm, when you make tea, go to work by car or train, cross the street, talk on the phone, send emails, solve a problem, visit a hospital for tests, park, read a bedtime story, and switch the lights off.

We work in partnership with our customers to produce innovative products and services to benefit each and every one of us, 365 days a year, 24 hours a day, every single second.



Values

- We strengthen our customers
 - to keep them competitive
- We enhance company value
 - to open up new opportunities
- We embrace corporate responsibility
 - to advance society
- We push innovation – to shape the future
- We empower our people – to achieve world class performance



Siemens – Our Vision

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

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Siemens

in Finland and the Baltics

Siemens is a technology and service company operating in the information technology, communications, energy, industry, building technology, transportation, healthcare technology, computer and household appliance, lighting, and finance sectors.

Siemens is total supplier in challenging projects, and has different technologies and solutions work seamlessly together. Our customers trust our resources, and our global network of innovation, which is closely integrated into our local expertise.

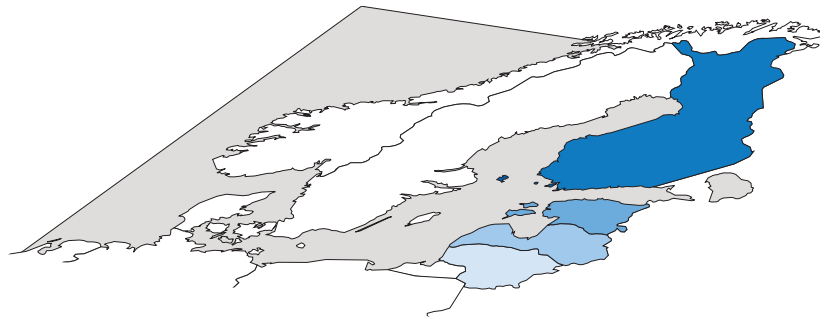
Siemens Osakeyhtiö has subsidiaries in Estonia, Latvia and Lithuania. Other Siemens players in Finland are Medical Solutions, Oy Osram Ab and Siemens Financial Services Oy, all wholly owned by Siemens. Other companies in Finland are Fujitsu Siemens Computers Oy and BSH Kodinkoneet Oy, in which Siemens has a 50 per cent stake. The number of employees is around 1600.

The companies wholly owned by Siemens have a total net sales in Finland and the Baltics of around €628 million. Siemens AG, the parent company, has net sales of €75.4 billion and employs around 461 000 people. Siemens has a presence in 190 countries around the world.

For Siemens, 2005 was a special year in Finland and the Baltics. A century and a half earlier, Siemens connected Finland and the Baltics to the international communications network. Siemens built a telegraph line that linked Helsinki, via St. Petersburg, to the rest of Europe. The same line also connected what is now Estonia, Latvia, and Lithuania to Europe.

Key statistics of Finland and the Baltics

FINLAND	
Surface area	338 145 km ²
Population	5 245 000
GNP	USD 186 175 million

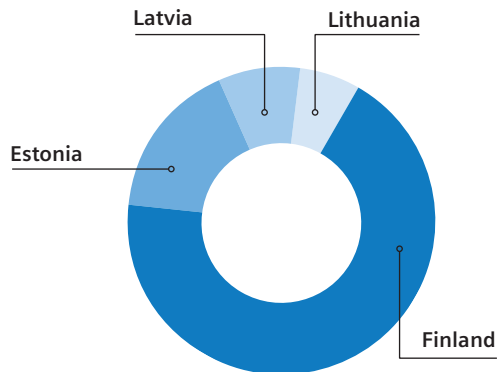


ESTONIA	
Surface area	45 227 km ²
Population	1 333 000
GNP	USD 11 196 million

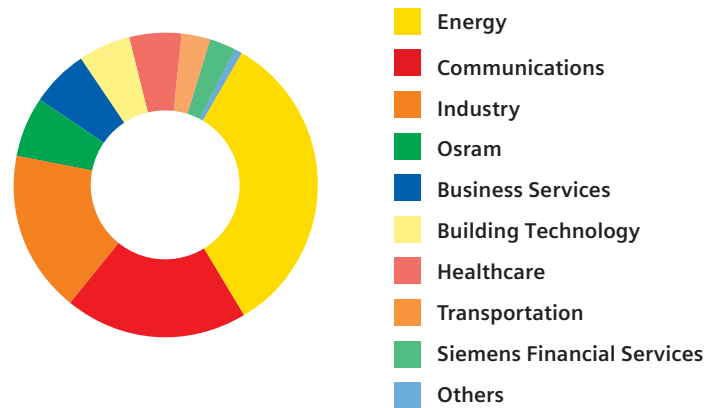
LATVIA	
Surface area	64 577 km ²
Population	2 290 000
GNP	USD 13 657 million

LITHUANIA	
Surface area	65 301 km ²
Population	3 597 000
GNP	USD 22 171 million

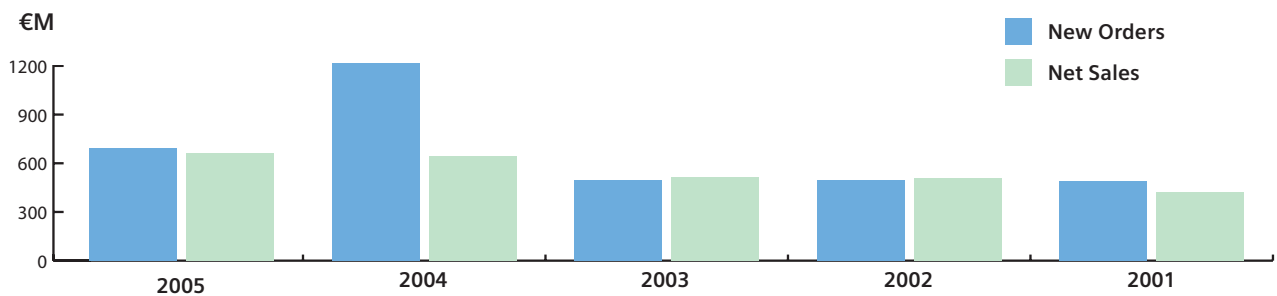
Employees in Finland and the Baltics



Net sales by business segment in Finland and the Baltics



Siemens' business volume in Finland and the Baltics



New orders and sales include Siemens' international business in Finland and the Baltics, as well as the local business of companies fully-owned by Siemens. The figures of Siemens in Finland and the Baltics in accordance with US GAAP can be found in the notes to the financial statements in this annual review. New orders for fiscal 2004/05 rose as a result of orders secured by Siemens in respect of the Olkiluoto 3 nuclear power plant unit.



Henrik Gayer
CEO
Siemens Osakeyhtiö

From the CEO

During the year under review, the focus of investments in Finland was on construction, with work on major projects such as the Olkiluoto 3 nuclear power plant unit and Vuosaari Harbor stimulating business life. Investments in the Baltics were marked by fairly large EU-funded infrastructure projects. Growth of the gross national product and industrial production in the Baltics remained high, with economic growth fostered by continuing healthy private consumption and investment demand.

The upswing in the Finnish electrical engineering and electronics industry, and the metal industry, coupled with major infrastructure projects in the Baltics, was reflected positively in new orders.

We won major orders from the forest industry, the power sector and Finnish and Baltic railway companies. New shopping centers reflected investments in building. We provided security technology systems and automation to the Kamppi Centre, and Sello and Jumbo shopping centers. We further intensified our partnership with public administration during the year under review. Our customers include the cities of Tampere, Tallinn and Vilnius, and the Latvian Ministry of the Interior.

Major Account Sales

Our Finnish customers play in a fiercely competitive field. Working more closely with our customers and gaining a deeper insight into their businesses enables us to best draw on our diversified excellence to enhance our customers' productivity and competitiveness. During the year under review, we set up a new unit, Major Account Sales, to serve customers requiring diverse part and turnkey solutions.

For the customer, one supplier translates into easier purchases, less project management and coordination, and more project reliability and uptime. Through Major Account Sales, we made our customers more aware of the diversified solutions Siemens offers, and built on our knowledge of our customers' businesses. Our efforts on this front resulted in new orders.

Life cycle services and Customer Service unit

Siemens' strength lies in 150 years of innovation, internationalization, and localization. Our local added value derives from the fact that we know the countries, customers, business life, conditions, and ways of working in the countries where we have a presence. Besides state-of-the-art technology, we seek to enable customers to make more efficient use of the services we provide. During the year under review, we set up a new Customer Service unit. We have almost 300 experts in different fields who

produce services throughout the lifecycle of our customers' plants and systems.

In Finland and the Baltics, we provide a comprehensive suite of lifecycle services ranging from planning and consultancy to maintenance and decommissioning. In other words, services from the cradle to the grave. Siemens' lifecycle services are based on a leading-edge technology portfolio, integration ability, professional project management, and service ability.

Projects

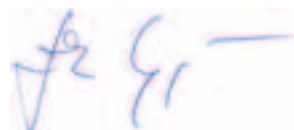
Various projects account for well over half of our business. During the year under review, we launched as part of our project business a development project aimed at further enhancing the quality of projects carried out. We pay attention to project management, customer information, change management, and documentation. We also initiated project manager training.

The future

The growth in industrial production is expected to remain fairly healthy in the Baltics, and signs in the Finnish economy are slightly brighter than earlier. We enter the new fiscal year with a strong order book. I should like to take this opportunity to thank our customers for the confidence they have shown in us.

We are focusing on providing our customers with better service, and strengthening our operations. I believe that the results of these projects will translate into enhanced competitiveness, and thus add to our prestige in the eyes of our customers.

The employee survey indicates that in some issues there should be more dialog with employees. Work on this front will occupy us during the new fiscal year. I would like to thank our employees for their performance and competence over the past year.



Henrik Gayer
CEO
Siemens Osakeyhtiö

Management



CEOs of the Baltic subsidiaries

1. **Audris Barcevicus**
CEO, UAB Siemens, Lithuania
2. **Avo Tihamäe**
CEO, AS Siemens, Estonia
3. **Martti Kohtanen**
CEO, Siemens SIA, Latvia

Management Board of Siemens Osakeyhtiö

4. **Tapio Lautsi**
Director of Major Account Sales
5. **Bengt Avellan**
Business Group Director, Building Technologies
6. **Pertti Huhta**
Business Group Director, Energy and Transportation
7. **Mauri Silfverberg**
Business Group Director, Industry
8. **Michael Eidam**
CFO
9. **Juha Lehtonen**
Director, Corporate Strategy and Development
10. **Karl Lönngren**
Business Line Director, Communications
11. **Terttu Tiura**
Director, Corporate Communications
12. **Henrik Gayer**
CEO
13. **Jussi Grönholm**
Business Group Director, Business Services
14. **Jaakko Tennilä**
Business Group Director, Customer Service
15. **Petteri Kleemola**
Business Group Director, Communications
16. **Nina Jankola**
Director, Human Resources



Regional structure in Finland and the Baltics

Parent Company

Siemens AG

Regional Company

Siemens Osakeyhtiö

Subsidiaries

AS Siemens

Siemens SIA

UAB Siemens

Other Siemens Companies

Oy Osram Ab
100%

Siemens Financial Services Oy
100%

Fujitsu Siemens Computers Oy
50%

BSH Kodinkoneet Oy
50%

Board of Directors

Henrik Gayer, *chairman*

CEO

Michael Eidam

CFO

Dr. Edgar Wittmann

Siemens AG, Director

Supervisory Board

Kimmo Kalela, *chairman*

Industrial Counsellor

Dr. Thomas Ganswindt

Siemens AG, Executive Vice President

Kari Jordan

Metsäliitto Group, President

Professor Olli Martikainen

University of Oulu / Associate Research Fellow, ETLA

D Sc (Tech) Kalevi Nikkilä

Manfred Dönz

Siemens AG, Director

5 741 kilometers of safe rail traffic

150 years
for the
customer

The Finnish Rail Administration (RHK) is responsible for maintaining and developing the rail network, and for the safety of rail traffic. At the beginning of 2005, the Finnish rail network comprised 5 741 kilometers of rail track.

Ossi Niemimuukko, Director General of the Finnish Rail Administration, reveals that the greatest challenge facing RHK is adequate funding. RHK is tasked with renewing the rail network and removing traffic bottlenecks. The focus is to cut journey times in passenger traffic, and to raise the axle weight or track carrying capacity in goods traffic.

“Around a fifth of the rail network needs renewing. This is our number one priority.”
Rail network development projects include track electrification, automatic train protection and projects to improve the standard of the rail network.

Quarter of freight traffic goes by rail

Niemimuukko sees rail traffic as an evolving mode of transport.

“The railways have a market share of around 25 percent of freight traffic, an extremely high figure by European standards. Transport distances are relatively long in Finland.”

The number of passengers using commuter services is rising in the Helsinki Metropolitan Area.

“This is partly a result of RHK’s actions to build urban lines. To take a case in point, the Kerava urban line enabled us to increase the frequency of train services. There are plans to build more urban lines, including the Kehärata, which would run between Martinlaakso and Tikkurila via Helsinki-Vantaa Airport.”

The number of journeys in long-distance traffic has been relatively stable. RHK seeks to cut journey times by increasing train speeds, and by building new track. When completed, the new direct rail line between Kerava and Lahti will cut journey times.

“Indeed, it will have an impact on the whole of eastern Finland. Plans are also under way on a project to speed up traffic and increase axle weight to the east of Lahti. This is one of RHK’s largest projects.”

Improving the standard of the Lahti-Luumäki-Vainikkala section of track is also part of a plan involving the introduction of fast trains between Helsinki and St. Petersburg.

“On the Finnish side of the border, the aim is for tilting trains capable of running at a speed of 200 kilometers an hour.”

The most important project in western Finland in the foreseeable future is to upgrade the track between Seinäjoki and Oulu.

Powerful impact of EU

All EU Member States are required to establish a national rail safety authority. Finland’s rail safety authority will begin operating in fall 2006.

“To date, RHK has been the rail safety authority in Finland. The new authority will be an independent agency, and oversee safety and interoperability. The aim is to enable cross-border traffic without the need to change driver, locomotive or train.”

Niemimuukko points out that the European Union impacts strongly on the rail sector.

“The issuance of supranational norms is very strong. Technical interoperability standards are strongly driving operations, and also impacting on systems suppliers.”

Finland has begun to put maintenance of the rail network out to tender.

“One of RHK’s performance targets is to cut track

maintenance costs. If we can achieve long-term cost savings through competition, competition is a good thing.”

We have long been putting track construction out to tender.

“We intend to progress slowly, one area at a time, when putting maintenance operations out to tender.”

GSM-R provides added safety

According to Director General Ossi Niemimuukko, there has been a relatively steady stream of technological advances in rail traffic.

“The various solutions we intend to deploy in a bid to raise speeds, and to enhance the competitiveness of freight traffic all have one thing in common: technology. Whilst many solutions are already technically available, the question is whether we can afford to apply and deploy them.”

Technological advances are progressing apace in railway control and signaling systems.

“In railway control, control has been centralized and manual operations have been automated. I think this trend will continue at a similar pace when the solutions are ready for it.”

In Finland, the old analog radio link between railway control and the locomotive driver is being superseded by a new GSM-R system. It is planned to have the system up and running by 2009.

In future, the GSM-R solution can be used in many ways in signaling system information transfer in addition to voice communication. The communication system ensures smooth, safe traffic flow.

“This is partly a project relating to European interoperability. GSM-R has much development potential, since the train protection system will be replaced after the turn of the decade and switch over to European standards.”

A train protection system prevents train crashes.

“It should be possible to develop technology in a direction that would enhance traffic flexibility. The next step could be to do away with signals. We would operate using integrated radio, interlocking system technology, and the locomotive to obtain real-time information about the entire traffic situation. According to the EU’s views, GSM-R will act as a transmission route from the interlocking system to the locomotive.”



Ossi Niemimuukko
Director General
The Finnish Rail Administration

16 400 000 000 kg of paper and board a year

150 years
for the
customer

Stora Enso is seeking growth in new markets, particularly in China and South America. It is also shifting the investment focus to these regions. In Finland, the company will retain future competitiveness by increasing the degree of processing in production.

Stora Enso Oyj is the world's largest producer of paper and boards, and one of the world's leading forest product companies. Last year the company produced 16.4 billion tonnes of paper and board, and 7.7 million cubic meters of sawn wood products. Stora Enso has some 45,000 employees in more than 40 countries in five continents, and had sales totaling €12.4 billion in 2004.

"It's extremely good that the forest industry is on the growth track. All forecasts indicate a continuing growth in the consumption of paper despite a slight change in its applications," notes Stora Enso's CEO Jukka Härmälä.

The forest industry accounts for a fifth of Finland's industrial production, and a quarter of export revenues. Forest industry companies are making further progress in the internationalization process.

"The forest industry has a major impact on the Finnish national economy. We have to maintain cutting-edge Finnish expertise to succeed in global competition, and are in a similar situation to many other industries facing global competition."

Härmälä considers it unlikely that basic production in the forest industry can be significantly expanded in Finland, since forest assets are practically in full use.

"Industrial capacity has been partly built on the use of imported wood. What we have to do in Finland is to raise the degree of processing in production, and to seek competitiveness wherever we can so that the industry prospers also at home."

Härmälä reminds us that success in the global market also affects the ability of the Finnish part of the industry to prosper.

"This matter is easily forgotten. There is a bridge between the two."

Competition also with other sectors

In the packaging and construction sectors, the forest industry competes with other materials such as glass and metal.

"Innovations especially in the packaging industry are key to success when competing with plastic, for example. The question is how fiber-based products are developed for various packaging applications."

Härmälä also reminds us of the struggle between printed and electronic media, which is not without implications also for the forest industry. In North America for instance, there has been a downturn in the use of newspapers for advertising.

"On the other hand, over the same period there has been a sharp rise in direct advertising. The entire graphic industry as a whole is closely linked to advertising and advertising volume."

IT is also of major significance for profitability.

"Information systems are the most important component in the efficient use of machinery and equipment. Processes must be managed as resourcefully as possible, and efficiency must be high. Since we are a very energy intensive industry, we expect very efficient solutions in energy use, and from energy suppliers."

Growth in Asia and especially China

Stora Enso's main markets are Europe, North America, and Asia. Härmälä notes that operational profitability is a challenge in mature, traditional markets in Europe

and North America.

“Asia, especially China, will provide actual growth. There is a distinct shift in the investment focus away from old markets.”

Likewise, South America is also a very important up and coming business region for Stora Enso. October 2005 saw the inauguration in Brazil of a new pulp mill in which Stora Enso has a 50 percent stake.

“Pulp production is significantly cheaper using sources of new fiber as in South America, for example. We must be able to stay in the race, and seek our own role.”

The Russian market also shows potential. Russia is home to the world’s largest unused softwood resources.

“The question is whether Russia can establish the type of business conditions to enable investors to operate profitably and long-term. Since there is an inadequate supply of raw materials for the industry within China, wood reserves in Asian Russia may be the answer to this problem.”

What is important is how paper consumption habits develop in new markets such as China.

“Whether consumption follows the patterns we are accustomed to in traditional markets or whether we are in for some unexpected surprises. However, there is nothing to suggest that a general rise in the standard of living and education would result in increased use of paper. Widespread popular education and the use of paper have traditionally gone pretty much hand in hand, as seems to be the case in new markets.”

Responsibility highlighted in new markets

Environmental issues are also important to the forest industry, which uses renewable natural resources, and produces recyclable products.

“For us, ecology is a very important, traditional issue. Corporate social responsibility is also growing in importance. This is especially so in China or South America, for example. Issues occurring include circumstances surrounding land ownership, the relationship between planted forests and natural biodiversity, and the position of staff both at work, and in the community where they live. The development potential of traditional livelihoods and how new industry affects them also has to be weighed up,” notes Härmälä.



Jukka Härmälä
CEO
Stora Enso Oyj

Total supplier in challenging projects

Benefiting from international expertise in a broad range of fields, Siemens integrates state-of-the-art technology, systems, and services into challenging, extensive infrastructure projects calling for innovative, part and total solutions.



With a presence in almost 200 countries and different communities around the world, Siemens has built up a deep insight into many specialist fields. We apply advanced solutions and excellence developed in different parts of the world to projects designed to enhance the competitiveness and productivity also of our Finnish customers.

Almost a million products in our ten business areas form the basis for a broad range of technology solutions. Our innovation strategy pays particular attention to technology platforms applied to different fields. These platforms in turn ensure product and system compatibility.

Siemens has off-the-shelf modules that can be effectively put together as a total solution to meet a customer's needs for a stadium or port, for example. Since our solutions and systems can be expanded and developed to meet future needs, Siemens' technologies ensure long-lasting investments.

The sound financial position of Siemens world-

wide paves the way for long-term cooperation, commitment, and lifecycle services.

Forest industry

Siemens is a global provider of total solutions to the forest industry. These solutions are based on our ability to integrate a broad range of products, systems and services: energy and ICT solutions, automation, water and pulp processing, and integrated mill and ERP systems.

Siemens' customers in Finland include global players in the forest industry. Stora Enso outsourced its global email services of 30,000 users to Siemens. Most of the services are provided from Finland. We will also deliver a turbine generator to Stora Enso's Heinola fluting mill.

We signed a long-term partnership agreement with Myllykoski Corporation to outsource the IT infrastructure. Siemens secured an order to deliver the turbine generator unit to Rauman Voima Oy's biofuel

power plant to be built at UPM-Kymmene's paper mill in Rauma.

Security

Our comprehensive security solutions protect people, property, and knowledge. Our services include risk analyses, systems engineering and implementation.

An OTN transmission network supplied by Siemens was used to manage security at the 10th IAAF World Championships in Athletics held in Helsinki in August 2005. Siemens delivered the world's most extensive and advanced security system in civilian use, C4i, to the 2004 Athens Olympic Games.

Healthcare

Siemens delivers part and total solutions based on systems used in modern medical examinations, IT, communication, security, and energy technologies to projects in the healthcare sector. Siemens ranks among the world's leading suppliers of imaging systems.

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 providers of healthcare services.

Public administration

Siemens is one of Europe's leading suppliers of public



Ports

Siemens' port solutions comprise crane systems, logistics, security, communications, energy, and lighting solutions.

The Yangshan Deep Water Harbour being built on the Shanghai coast will be one of the most important ports in China. Siemens is delivering an extensive OTN security system to the port.

Public events and stadiums

Building a modern stadium requires the latest technology, excellence, an ability to shoulder total responsibility and upgrade the surrounding infrastructure.

Siemens has delivered its technology to the Siemens Arena in Lithuania, where modern telecommunications, building automation, and lighting have all been integrated to operate from a single PC.

Examples of Siemens' excellence in challenging stadium projects include the 2004 Athens Olympics and the 2006 FIFA World Cup.

administration IT solutions and services. In partnership with public organizations, we have implemented several projects to promote citizens' wellbeing and security.

Siemens worldwide has solutions for border control, the mobility of people, infrastructure development, and e-government.

In Finland, we have delivered technologies for IP-based communications solutions to the Ministry of Labour and the Ministry of Trade and Industry.

Tunnels

Tunnels are a special feature in road traffic, and call for strict security measures. Siemens' solutions comprise road traffic control, fire detection, and emergency call systems, air conditioning, temperature and carbon monoxide monitoring, lane control, and energy technology.

Siemens delivered the technology for the longest tunnel in Turkey on a turnkey basis. The tunnel is almost 4 kilometers long, and is scheduled to open to traffic in late 2005.

Profitable growth ensures competitiveness

The prosperity of Siemens' business is based on profitable growth, ensured by long-standing customer relationships, new innovations, a competitive product portfolio, the excellence of our people, and responsibility for what we do.



The year under review saw Siemens Osakeyhtiö address customer service and partnership development. The company established two new units: Major Account Sales and Customer Service.

The Major Account Sales unit focuses on broad, diversified part and total deliveries.

The Customer Service unit focuses on the lifecycle services of systems and production facilities: consultation, maintenance, servicing, and outsourcing. The company has some 300 experts.

We further enhanced project operations by introducing a standard project management model throughout the company.

Growth and profitability from corporate acquisitions

During the year under review, Siemens AG invested more than €3 billion in corporate acquisitions around the world.

Siemens acquired Flender Holding GmbH, a German manufacturer of industrial drives, and the Aus-

trian VA TECH industrial group. Both companies have a subsidiary in Finland. We will study joint business models during fiscal 2005/06.

Seven people transferred to BenQ in Finland when Siemens sold its mobile phone unit to BenQ of Taiwan. Siemens incorporated its home and office wireless products into a separate company, represented in Finland by Siemens Osakeyhtiö.

Quality of life through innovations

Siemens AG makes about 40 inventions every working day, and is one of the most innovative companies in the world, with a track record stretching back more than 150 years. Siemens has around 53,000 patents, and spends some €5 billion on research and development each year.

Competent people ensure success

Siemens' prosperity is ensured by competent, contented employees who are both committed and respon-

sible. Good leadership is required to ensure the continuous development and wellbeing of our people.

The year under review was the third year that Siemens arranged the Become a Leader training program, in which 15 Siemens employees from Finland and the Baltics took part. We enhanced professional skills by project manager training.

The year under review also saw the introduction of mentoring, a merger of ambitious young talent and experienced professionals. Our salary and reward system was overhauled to promote a target-driven, achieving corporate culture.

In Finland, Siemens' environmentally aware operations are ensured by an ISO 14001 environmental management system.

Actively responsible for electronic scrap

The EU's Waste Electrical and Electronic Equipment (WEEE) Directive entered into force in Finland in August 2005. The Directive obliges producers of electrical and electronic equipment to be responsible for equipment taken out of use. Organizations in the industry established ELKER Oy to be responsible for collecting and recycling in Finland. Siemens is active on the Boards of Directors of ELKER Oy and the ICT



Business Conduct Guidelines ensure responsibility

Responsibility at Siemens is based on a respect for sustainable development, interaction with the immediate surroundings of workplaces, and ethical business practices.

All Siemens employees throughout the world are bound by and share the same business rules, Business Conduct Guidelines. These principles emphasize compliance with legislation and transparent, honest, and ethical business. Also our shared values drive business in 190 countries.

New technology helps to save the environment

Siemens benefits from its broad-ranging expertise by developing new technologies and solutions that can be employed to enable our customers to simultaneously enhance production and cut environmental loading.

Siemens established an environmental affairs unit way back in 1971. Siemens has been included continuously on the Dow Jones Sustainability Index since 2000.

producer organization.

Training and promoting the wellbeing of young people

Siemens is involved in promoting training throughout the world by providing awards and internships. In Finland, we support schools in the neighboring community through spring awards. The year 2005 marks the 150th anniversary of Siemens' first project on Finnish soil. To mark the occasion, we distributed 150 grants each worth €150 to students in various disciplines. Siemens is a founding member of Heureka, the Finnish Science Centre.

Dialog with art and culture

Siemens' art program seeks to foster dialog between culture, the economy, and society. It is specialized in experimental contemporary art.

The Ernst von Siemens Art Foundation supports museums and art collections with acquisitions and exhibitions of significant works.

A year of dynamic changes

Siemens is a global powerhouse in electrical engineering and electronics. Fiscal 2005 was a year of healthy growth and dynamic changes for Siemens. Corporate restructuring and our global development program rapidly ensured our future competitiveness. New orders and sales were up. Almost all business areas reported improved earnings.

Siemens was founded in 1847 by Werner von Siemens, a technological visionary and inventor. Then, as today, Siemens AG's philosophy is still aptly described by the phrase "Inventing the Future". Today, Siemens is a global conglomerate with 461,000 world-class employees, effectively drawing on its multinational culture. With a presence in 190 countries around the world, Siemens serves its customers in their local language.

Corporate structure reflects underlying megatrends

Global megatrends such as urbanization and population changes pose new challenges for companies.

During the period under review, Siemens acquired new companies for €3.1 billion. Directing the strategic focal areas of its businesses enables Siemens to ensure its future competitiveness. Key acquisitions included Austria's VA Technologie AG, whose businesses are metallurgy, and power transmission and distribution. Other acquisitions included Flender Holding GmbH, whose main product portfolio is gear systems. We acquired Danish wind power plant supplier Bonus Energy in October. Other corporate acquisitions relating to water treatment and distribution, healthcare technology, and electrical drives have a lesser impact on Siemens activities in Finland.

Growing urbanization

In future, increasingly more people will live in cities, which will evolve into huge mega clusters. Forecasts

indicate that by as early as 2007, more people will live in cities than in the countryside. Large clusters will increase the amount of roads, traffic, and congestion. There will be a growing need for communications links, clean water, and energy. Wastewater treatment will increase. It is thought the need for clean water alone will rise by 40 percent by 2025. Energy needs are expected to increase by 70 percent by 2020. Mobility, growing passenger numbers, and mega events imply a need for greater security.

Siemens is responding well to the challenge of urbanization. Siemens AG is the world's largest provider of infrastructure solutions. Siemens can deliver total solutions for traffic, water and power production, telecommunications, and security.

Population growth and aging

Population changes, growth, and aging are already in sight, and will increase the need for healthcare. At the same time, governments everywhere are seeking to cut spiraling healthcare costs. Siemens' healthcare technology solutions, digitally networked hospitals, telemedicine and computer assisted care save costs, and enhance and improve patient care.

Strong in innovations

Siemens CEO Klaus Kleinfeld is following in the footsteps of Werner von Siemens. Kleinfeld considers innovations, new solutions, and products to be one of Siemens' principal present and future strengths.

Products under five years old account for 75 percent of Siemens' sales. In other business areas such as healthcare technology, where 90 percent of the products are less than three years old, the pace is even faster.

Siemens AG employs 45,000 people and spends around €5 billion each year on research and development alone. During the year under review, Siemens made 8,000 inventions. Siemens AG has 53,000 patents. Innovations can relate to sustainable development, responsibility for profitability, the environment and people. R&D results are in evidence in increased road safety, patient wellbeing, and products with high environmental performance.

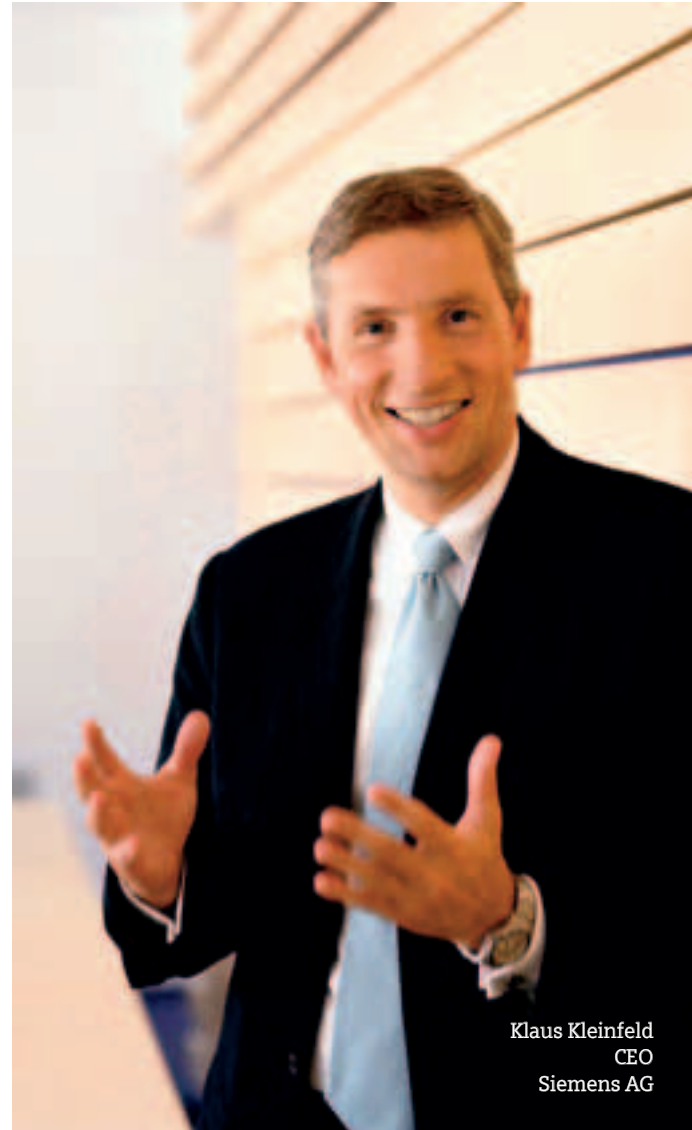
Fit4More

Sound progress was made in deploying Fit4More, Siemens global business development and strategic thought program, in all countries where Siemens has a presence. Fit4More aims at developing the company's businesses, and establishing practices to achieve growth and strong profitability. Performance and Portfolio, Operational Excellence, People Excellence, and Corporate Responsibility are the key elements of development.

A dynamic year

Siemens AG's sales in fiscal 2004/05 were €75.4 billion, and the group employed around 461,000 people. The volume of new orders secured during the fiscal year climbed by 11 percent to €83.8 billion. Net income was €2.2 billion. Siemens AG spent €3.1 billion on corporate acquisitions.

Nearly all business areas improved earnings, and are on a steady growth and development track. Ten of our twelve business areas achieved their earnings targets. Siemens Business Services and Communication are to undergo "fitness programs" to restore them to long-term profitable growth.



Klaus Kleinfeld
CEO
Siemens AG



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.

Siemens Osakeyhtiö's Subsidiaries

AS Siemens, Estonia	23
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UAB Siemens, Lithuania	25



AS Siemens, Estonia

Net sales
€39 million

Employees
242

Economic growth in Estonia for 2005 is expected to be in the region of 6-7 percent. During the year under review, AS Siemens performed particularly well in the Energy and Transportation business areas. Having only recently entered the rail traffic sector in Estonia, Siemens has already secured market leadership.

IT solutions and services have evolved into a major share of AS Siemens' business, and the company has recruited new members to its SAP team to take the number of consultants to ten.

Major orders and projects

Beneficial cooperation continued with Eesti Energia AS, and AS Siemens delivered medium voltage equipment to Ülemiste electricity substation. We also renovated Endla electricity substation, built a new substation at Harku for Eesti Energia's transmission grid, and upgraded the 110 kV switchyard in Tartu and switchgear at various voltage levels during the year under review. We also secured contracts to upgrade the 110 kV switchyard and 10 kV switchgear, as well as to extend the 330 kV switchyard at the Püssi substation, and to enlarge the 330 kV and 110 kV switchyards at the Harku substation.

AS Siemens Electroservices, a subsidiary AS Siemens responsible for power grid maintenance, concluded an agreement with Vattenfall to maintain a less than 20 kV consumer distribution grid in Finland.

During the year under review, Siemens expanded the broadband and transmission networks of Elion Enterprises Ltd, Estonia's largest telecommunications and IT company.

Siemens continued work on installing mobile communications hardware for Tele2, Estonia's second largest GSM operator. We delivered 75 new mobile

base stations to Tele2.

The largest projects in our corporate networks business were renovation of the Port of Tallinn's telecommunications network, and a telecommunications network for Eesti Energia.

The biggest challenge facing AS Siemens during the past fiscal year was implementation of the SAP-based enterprise resources planning system ordered by the City of Tallinn. We signed an agreement on a Business Warehouse development project with the Estonian Ministry of Finance.

Siemens delivered automation and electrical equipment to the Tartu wastewater treatment plant, and fuel container automation systems to Eesti Elektri- jaam and Balti Elektri- jaam power plants. We also delivered process control automation, equipment and 400-volt centers to Graanul Invest AS, a biofuel company.

We completed and handed over a project to replace the signaling and railway automation control systems for Estonian Railways at Narva Station during the fiscal year. Siemens secured contracts to deliver signaling systems to five railway stations.

In the healthcare sector, our largest deliveries were a Multix Top radiography system to a regional hospital in North Estonia and a Sequoia 512 ultrasound system to Tartu University Hospital.

Corporate social responsibility

During the year under review, AS Siemens sponsored culture in Estonia by taking part in the exchange of artists between Estonia and Bavaria.

The future

EU funding is expected for future projects. These include a Professional Mobile Radio (PMR) system intended for use by the authorities and a border station for railway traffic. Siemens' business in Estonia is particularly focused on telecommunications and IT services. The public sector is very interested in SAP solutions. Additionally, the service business is on the growth track.

www.siemens.ee

Siemens SIA, Latvia

Net sales
€39 million

Employees
124

The Latvian market is healthy and the national income is expected to increase by some 6-7 percent during 2005. EU funding will provide potential for future business. The construction industry is booming, especially in the Riga area.

Telecommunications and energy are the most important sectors for Siemens' business in Latvia. Siemens SIA has strongly focused on developing its IT business and on local expertise.

Major orders and projects

The best performance in the network business was on the mobile front, where Siemens signed a contract for a UMTS network with Tele2 during the year under review. This is the country's largest UMTS network, which covers virtually the entire Riga economic area. A test network entered service in autumn 2005.

The ADSL business and CPE equipment are the mainstay of Siemens SIA's fixed telecommunication networks business. On the mobile networks front, Siemens SIA has especially enhanced its excellence in microwave technology. In this context, we worked with the Latvian Ministry of the Interior in signaling systems on the country's eastern and western borders. Communications between border guard stations and a link to Riga have now been implemented in a separate network using Siemens' microwave technology.

Siemens' extensive delivery to the Ministry of the Interior also includes thermal and video surveillance cameras for Latvia's sea or western border. The first stage saw improved port surveillance technology. Siemens Industry business area supplied the electricity supply equipment.

Siemens has traditionally had a strong position in power distribution, where our principal customer is state-owned energy company Latvenergo

Siemens delivered the TEC-1 CHP plant in Riga to Latvenergo on a turnkey basis. The power plant entered commercial service in November 2005. Siemens also signed a 15-year maintenance agreement for the new plant.

A delivery to the police academy in Liepaja included building automation, access control systems and energy supply services.

Siemens has an approximately 30 percent share of the Latvian medical imaging systems market. Siemens has performed particularly well in computed tomography and ultrasound systems.

Corporate social responsibility

Siemens SIA grants annual awards, known as the Werner von Siemens Excellence Award, to students who have written an outstanding diploma or master's thesis. We have several joint projects with Riga Technical University. On the academic front, Siemens SIA supports the IT professorship at Vidzemes University College, and on the cultural front, Riga Opera.

The future

Future business prospects are good in the Baltics. Telecommunications operators are enhancing their UMTS services, which translates into network investments. Investments in border control on Latvia's eastern front and in rail traffic, such as signaling systems and GSM-R solutions are increasing in the wake of Latvia's EU membership. EU funding can also be forthcoming in the healthcare sector, for example.

There will also be growing investment needs in IT services. To take a case in point, the City of Riga and the Latvian Ministry of Finance are replacing their ERP systems. Various corporate Help Desk and Service Center solutions are also on the rise. The Latvian construction industry is showing further development, which is expected to generate a demand for building technology and electricity supply equipment. Strong growth potential is also in evidence in security technology and electronic surveillance systems.

www.siemens.lv

UAB Siemens, Lithuania

Net sales
€45 million

Employees
89

The Lithuanian economy is expected to grow by around 6-7 percent in 2005. UAB Siemens has performed particularly well as a supplier of transportation systems to Lithuanian Railways, communications networks, industrial automation, and energy solutions.

Major orders and projects

UAB Siemens delivered telecommunications systems to Lithuanian Railways. We carried out a pilot project for a 112 emergency response center for the city of Vilnius, and continued expanding the broadband access and data networks for JSC Lietuvos Telekomas.

Siemens focused mostly on EU-funded projects relating to future eGovernment solutions. Siemens continued work on implementing an ERP system for Lithuania Post. The system will be used to set up a centralized finance, accounting and control system covering over a thousand local post offices. This is the first project on such a wide scale in the Lithuanian postal sector.

The company secured its first turnkey project with private distribution company VST to modernize the Radviliškis electricity substation and also signed an agreement to modernize the Taika substation. We concluded a contract with Vilniaus Energija, a subsidiary of Dalkia Group, to install an automatic control system in the energy production unit of Vilnius CHP.

Siemens won a contract to supply and install a lighting system at Kaunas International Airport, and took part in a NATO-funded project to modernize the military airfield at Zokniu.

Siemens also modernized 11 sewage pumping stations in Vilnius. The project involved installing modern electrical and mechanical technologies to make the pumping stations more reliable and energy-friendly.

On the building technologies front, growth was mainly driven by increased cooperation with local

players delivering and producing heating and air-conditioning systems and fire detectors.

Lithuanian Railways signed several contracts with Siemens, including one to deliver 34 diesel-electric locomotives. The contract is worth €120 million, and is the largest Siemens has ever secured in Lithuania and the Baltics. Siemens also signed a contract to modernize the signaling system, power supply and telecommunications on the stretch of track between Šiauliai and Klaipeda. We are also modernizing the Vaidotai and Radviliškis shunting yards.

Corporate social responsibility

Siemens has worked closely with schools and universities and sponsored the Lithuanian National Opera and Ballet Theatre. Siemens is also a partner in the Siemens Arena, opened in November 2004.

The future

Third generation mobile networks create promising future potential for the telecommunications business. The modernization of the railway infrastructure currently under way will also impact on the telecommunications sector. The service business is also fueling development.

EU funding, investments by privatized power distribution companies, and the closure of the Ignalina nuclear power plant in 2009 will create business opportunities in the energy sector.

Future rail transport projects in Lithuania include modernization of the Kaunas railway tunnel, signaling, power supply on the stretch of railway line between Kena and Kybartai, the implementation of GSM-R system, and modernization of electric rail equipment in the railway infrastructure. The replacement of passenger locomotives and trains also signals business potential.

Future EU funding and the start of the e-Health project in 2006 are expected to boost Siemens' health-care technology business.

www.siemens.lt

Business Areas

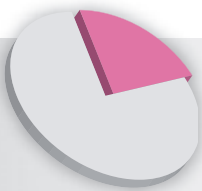




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Communications

Siemens Communications business area specializes in total solutions for fixed and mobile communication, VoIP and LAN solutions for enterprises and organizations, and in home and office devices. In Finland, Siemens is the leading supplier of VoIP, broadband and transmission technologies.



Net Sales
In Finland and the Baltics €121 million
Global appr. €13 billion

Employees
In Finland and the Baltics 202



Continuing strong growth in the broadband market marked the year under review. Siemens is Finland's number one supplier of broadband technology. During the year under review, we secured major contracts to supply ADSL solutions.

The rapid spread of broadband subscriptions and high-speed internet access form a platform for new types of services such as VoIP, smart home solutions, and IPTV. In 2005, Siemens launched its Siemens Smart Home solution designed for operators and end-users.

The sharp rise in the use of broadband has also boosted demand for transmission and routing technology. We delivered new generation WDM-based optical transmission systems to Elisa Corporation and the Finnet group. TeliaSonera has enlarged its network using main network routers delivered by Siemens.

Wireless broadband to use former NMT frequencies

The year under review saw Finland make a far-reaching decision to use former NMT 450 MHz frequencies

to build a wireless broadband network using optimized Flash OFDM technology. Siemens is the leading supplier of wireless broadband technology, with the most extensive portfolio of fast, internet access solutions.

Besides Flash OFDM, we launched a suite of wireless broadband products based on Wimax technology, and HSDPA technology to speed up data transmission in 3G mobile networks.

Impetus in demand for 3G services

During the year under review, the Finnish telecommunications market was marked by cutthroat price competition between mobile phone operators. Finland has the cheapest mobile calls in Europe.

During the past twelve months, Finland has taken a decision to allow 3G mobile phones to be sold together with subscriptions. This decision is expected to kick-start the spread of 3G mobiles, which in turn will promote the use of new services. It is believed this

development will increase investments in the 3G network infrastructure, and in solutions enabling services.

Work on building 3G mobile networks is already underway in the Baltics. Siemens Osakeyhtiö secured a major order from Tele2, the largest mobile operator in the Baltics, to build UMTS networks in all three Baltic States.

Deliveries to the Finnish Rail Administration's national GSM Railway network infrastructure continued throughout the year under review.

Companies interested in hosting services

IP-based implementations continue to account for

Corporate restructuring enhances competitiveness

Siemens continued to focus strongly on devices for end users in the home and office. These operations were incorporated into a company known as Siemens Home and Office Devices. Siemens' mobile handset business was sold to BenQ Corporation of Taiwan.

The future

Siemens' extensive expertise places it a unique position to develop new services spawned by the major increase in the spread and speed of broadband connections.

Work continues on developing next generation



an increasingly greater share of corporate voice solutions. During the year under review, companies showed a growing interest in hosting services for voice and IT solutions. We concluded a 5-year hosting services agreement with EQ Oyj.

Joining forces with Elisa Oyj, we implemented hosting services for Alma Media Oyj, SOK Corporation and the Finnish Ministry of Trade and Industry.

We worked with the Finnet group to enlarge the voice solution of Veljekset Keskinen Tuuri, the biggest village shop in Finland. In Kainuu, we are working in partnership with Kajaani Telephone Company (KPO) to deliver a shared healthcare communication solution in a joint regional experiment spanning ten municipalities.

There was growing interest in the value-added applications, such as accessibility and information management solutions, provided by VoIP solutions. The compatibility of its solutions with widely used office systems such as Microsoft and SAP strengthened Siemens' position on the application market.

networks (NGN) and services. A start has already been made on replacing the first local switching centers with IP technology. The replacement of existing ADSL broadband technology with IP-based solutions also generates new opportunities.

The mobile communication market is looking for other competitive edges besides price. Advanced services require new technologies and solutions.

Machine-to-machine communication, in which Siemens is global market leader, is also growing in Finland.

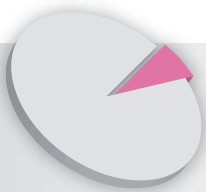
IT and communications purchases are increasingly decided as a single concept. Data security and services are gaining in importance. Siemens' strength lies in its in-depth insight into this concept, and its comprehensive suite of hosting and outsourcing services.

www.siemens.fi/televiestinta

Business Services

Siemens Business Services specializes in IT consulting, systems integration, e-business solutions, outsourcing and services.

Comprehensive solutions and services enhance customers' business at home and on the global market. We are Finland's leading provider of SAP solutions and services.



Net Sales
In Finland and the Baltics €44 million
Global appr. €5.4 billion

Employees
In Finland and the Baltics 321



There was moderate growth in the Finnish IT market during the year under review. The demand for IT solutions and services was affected by customers' need to enhance business operations, efficiently integrate operational processes with IT systems, and the need to cut costs.

Siemens continued to invest in further building on its excellence in its strong business areas: the forest industry, public administration, telecommunications, and industry. We offer enterprise resource planning systems, information management, procurement, logistics and customer relationship management solutions, systems integration, infrastructure, applications and hosting support services, as well as outsourcing and information security solutions.

ERP for the City of Tampere

The focus in the solutions business was on in-depth expertise and a thorough understanding of the customer's business. We employ over 300 IT and process

consultants in Finland and the Baltics. On the ERP front, there was a strong emphasis on public administration. We delivered an ERP system to the City of Tampere.

We signed a contract with Stora Enso Oyj for a global solution encompassing finances, human resources management, procurement, and maintenance. Pilot projects of the solution were implemented in Sweden and Germany during the year under review. Deployments continued in other places around the world.

Siemens' diversified excellence has generated solutions to effectively integrate automation and enterprise resources planning. We delivered modern, innovative warehouse management systems built on a platform of standard products to HK Ruokatalo and Inex Partners Oy.

Siemens strengthened its position as a provider of IT services

The SAP services market remained unchanged year-on-

year. IT services are increasingly being brought also into Finland from low-cost countries such as India. This further intensifies competition and affects prices. We are able to draw on Siemens' global service network to produce cost-effective, comprehensive services for Finnish customers for the Finnish and global markets. Siemens succeeded in a difficult market situation in strengthening its position as a preferred supplier of IT services.

The company especially focused on lifecycle services for SAP-based ERP systems. Siemens' information technology services are also implemented through industry-compliant ITIL-based service processes. This

structure outsourcing agreement with the Myllykoski Group.

The future

Demand for IT services and outsourcing solutions in Finland is expected to remain good, whilst the information technology market is expected to show moderate growth. A broad SAP customer base provides us with the potential for the service business we have launched. We will also start to market IT services for small and medium-sized enterprises and organizations. Besides our SAP excellence, we will further strongly develop our skills matrix in other areas such



ensures cost-effective, secure services of high quality.

We signed a four-year SAP hosting agreement covering some 2,400 users with Orion Pharma. Other major IT service agreements were signed with Elisa Corporation, Raniplast and UPM Rafsec.

Outsourcing solutions for the forest industry

Siemens is among the five largest suppliers of IT outsourcing services in Europe. At the start of the year under review, Siemens concluded a major ten-year outsourcing agreement worth almost €3 billion with the BBC. Microsoft is also a new Siemens outsourcing customer.

Siemens' global service network, technological excellence and Finnish expertise increased the interest of especially Finnish companies working in the international market in Siemens' outsourcing solutions. Stora Enso Oyj outsourced the global email services of 30,000 users to Siemens. Most of the services are provided from Finland. We also concluded a global infra-

as Microsoft solutions.

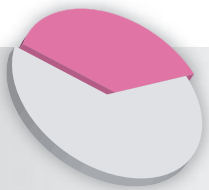
We will increasingly draw on Siemens' international service network, and on our own subsidiaries in the Baltics to deliver cost benefits in the provision of IT services. The year under review saw us invest in building Help Desk services in the Baltics. We will also continue to provide services for Siemens' international customers. Business services are expected to show growth also in the Baltics.

IT, voice, and communications purchases are increasingly decided as a single concept. Siemens' strength lies in its deep insight into both areas. Siemens' diversity and diverse customer base translate into potential for ICT solutions and services. Information technology is an inherent part of Siemens' total solutions.

www.siemens.fi/it-palvelut

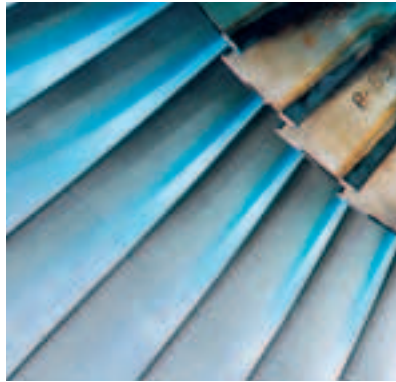
Energy

Siemens serves its customers in power generation, transmission, and distribution. Siemens' strengths in the energy business include a constant development of its own excellence, a deep insight into its customers, and a good local track record.



Net Sales
In Finland and the Baltics €207 million
Global appr. €12.3 billion

Employees
In Finland and the Baltics 265



During the year under review, power plant and grid companies were kept busy improving the dependability of power transmission. Moreover, a start on the construction of Finland's fifth nuclear power unit will result in additional major investments in strengthening the 400 kV transmission grid, especially in Western Finland.

In contrast, a sluggish year in industrial investments also reflected on the power business.

Turboset deliveries made during the year under review saw Siemens further consolidate its position as a supplier to the Finnish forest industry, and particularly in challenging industrial applications. Industrial turbine maintenance operations performed well.

During the fiscal year, Siemens focused on carrying out power transmission and distribution projects secured earlier. These were completed to schedule without any delays in delivery.

Siemens' power generation portfolio includes power plants, steam and gas turbines, and power

plant automation. Power transmission and distribution products and services include substations, transformers, protection and control systems, and industrial and power plant electrification.

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

Siemens Osakeyhtiö's Energy business area generates around half of its net sales in the Baltics, where basic investments in modernizing power networks continue.

During the year under review, the Olkiluoto 3 nuclear power plant unit project - Finland's largest single industrial investment ever - progressed according to plan as regards permits, procurement, degree of completion and construction. The consortium formed by Framatome ANP and Siemens is to deliver Olkiluoto 3 to the customer, Teollisuuden Voima Oy (TVO), on a turnkey basis. Siemens is responsible for the turbine plant. The fiscal year saw Siemens

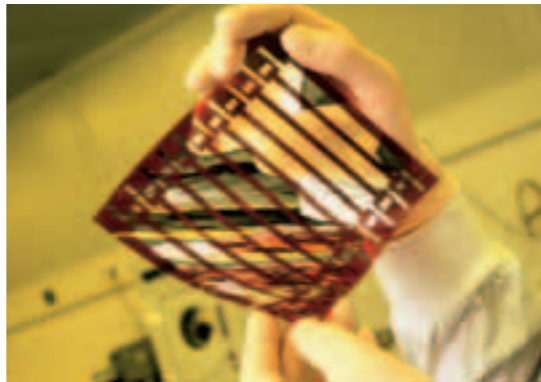
Osaakeyhtiö sign a contract to deliver building electrification and lighting for the turbine island.

Electricity substation in Bangladesh

Siemens Osaakeyhtiö secured a contract with the Power Grid Company of Bangladesh Ltd to build a 230/132 kV substation in the city of Khulna in south-west Bangladesh. The project is funded by the Nordic Development Fund and is Siemens Osaakeyhtiö's first development cooperation project. The substation is to be delivered on a turnkey basis and includes design, procurement, construction and installation work, and commissioning.

share of the project also includes a turbine-generator unit regulation and protection system, district heat exchangers, and a lubrication system. To complete the delivery package, Siemens is to also supply high-voltage electrification for Rauman Voima's new power plant. This comprises the changes needed to the 110 kV network, the main transformers, 110 kV cable, generator breaker and generator ducts, and medium voltage switchgear.

During the year under review, Siemens signed a contract to deliver a turbine-generator combination with a 29 MW turbine generator unit to Stora Enso Oyj's Fluting Mill in Heinola. Siemens is also respon-



We delivered 110 kV GIS equipment, including protection and control systems, to Helsinki Energy and Tampere Energy Utility. The GIS equipment delivered to Helsinki Energy is the largest of its kind in Finland.

We also carried out enlargements of the Toivila and Vihtavuori substations for Fingrid Oyj, the national grid company. The project involves almost entirely new 400 kV switchyards for both stations.

Siemens also replaced the automation and medium voltage switchgear at TVO's Olkiluoto 2 nuclear power plant unit. Similar work on the Olkiluoto 1 unit will be carried out in summer 2006.

Turbines for industry

Siemens is to supply Rauman Voima Oy with an 80 MW turbine-generator unit for a new biofuel power plant to be built at UPM-Kymmene's paper mill in Rauma. The plant will produce process steam and electricity for UPM-Kymmene's mill and district heat and electricity for the city of Rauma. Siemens'

sible for the electrification, automation and voltage regulation, and protection systems of the steam turbine and generator. The new turbine-generator will be more efficient, thus enhancing the efficiency and productivity of the mill's existing production process.

Siemens is to deliver two 83 MW steam turbine-generator combinations to Oy Metsä-Botnia Ab's new pulp mill to be built in Fray Bentos, Uruguay.

The future

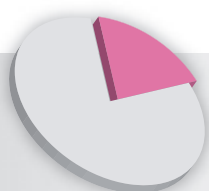
Construction of the new nuclear power unit will provide added impetus to investments in the energy sector. In the same context, strengthening the 400 kV transmission network also enhances future prospects.

Finnish machinery industry's export deliveries to Europe also translate into business potential. Siemens Osaakeyhtiö seeks to make its power transmission and distribution business increasingly more international.

www.siemens.fi/energia

Industry

Siemens offers an extensive portfolio of products, solutions and services for industrial electrification, automation and instrumentation throughout a production plant's entire lifecycle. Projects and product orders account for Industry's business.



Net Sales
In Finland and the Baltics €107 million
Global appr. €16.7 billion

Employees
In Finland and the Baltics 189



Export projects have been of major importance for our industrial business. The year under review saw Siemens focus expressly on downstream industry and associated sales channels. Investments by the pulp and paper industry in Finland remain at a very low ebb. The picture is the same in other process industries, where only minor investments have been made.

Siemens's industrial products and services include 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.

Siemens also provides industrial IT systems, software engineering, consultancy, installation, deployment, automation service, maintenance, spare parts, and equipment replacements. Industrial customer support and services ensure our customers' processes are kept up and running. Siemens carries out systems modernizations to prolong the useful life of machin-

ery, enhance safety, and to improve availability

Customers mainly include companies in the process, pulp, paper, and metals industries for whom we implement various part projects and turnkey projects. Besides end customers, Siemens' customers include various equipment manufacturers, panel builders and automation companies, as well as retailers, and electrical wholesalers.

Total automation and energy distribution solutions

At Siemens, automation, electrical drives and low voltage equipment are based on our Total Integrated Automation (TIA) concept, in which all components are mutually compatible. Bus systems and software solutions enable various subareas to speak the same language. Shared databases and standardized software facilitate projects.

Siemens also has a similar concept (Totally Integrated Power, TIP) in power distribution. TIP integrates all the equipment and systems required in

power distribution in buildings into a compatible, cost-saving solution, which functions together with production and building automation. The TIP solution is ideal for challenging applications such as production plants, hotels, office buildings, shopping malls, airports, and hospitals. The solution includes software engineering tools, medium voltage equipment and distribution systems, transformers, switchgear and protection systems, low voltage equipment, bus solutions, and small electricity centres.

E-business continued to become an increasingly stronger link in our logistics chain and Siemens Osakeyhtiö already receives over 50 percent of orders

process for the new wastewater treatment plant in southwest St. Petersburg. Delivery included systems engineering, and deployment. Siemens provided the automation for the new production line at Saint-Gobain Isover Oy's glass wool factory in Egorievsk, Russia. Delivery included a Simatic PCS7 automation system, field equipment, valves, cabling, and installation.

In the food industry, Siemens delivered a Simatic PCS7 operating station to Ravinto Raisio Oy's margarine factory, in a control room system modernization project. Work continued on an automation modernization project at Valio Oy's Herajoki dairy, where Siemens supplied a Simatic PCS-7 system.



for industrial products online.

Siemens Osakeyhtiö launched an innovation developed in Finland during the year under review. A car engine heating power post controlled over a Bluetooth connection. This allows car engine warming times to be set via a PC and the internet irrespective of time and place. A mobile phone can be used to switch on the power of an engine warming post.

Major orders and projects

Product sales progressed well throughout the year under review in the wake of Finland's healthy export industry, and more orders from equipment manufacturers. Business has particularly increased with companies such as Kalmar Industries Oy Ab and KCI Konecranes Corporation, who make container handling equipment for port terminals.

Siemens delivered a PCS7 process automation system, instrumentation, field equipment, and a new camera system monitoring the wastewater treatment

In the paper industry, we replaced the line drives on PM8 at Stora-Enso Oyj's Kaukopää Mill and adjusted the drives on Myllykoski Paper Oy's PM4.

We continued our partnership with Outokumpu Stainless Oy, carrying out maintenance work on the RAP5 line in the cold rolling mill at the Tornio works. Likewise, we modernized the Hercules roll grinder and completed the slab handling project at the works. For Rautaruukki Corporation, we modernized the electrical drives on the finishing roll at the Raahe works and signed an agreement to replace the electrical drives on the strip roller line at the Hämeenlinna works.

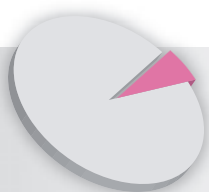
The future

We see Russia as a growing market area for industrial projects. Water processing is expected to provide market potential in Finland, Russia and the Baltics, where we are likely to witness a future increase in particularly the number of water processing projects.

www.siemens.fi/teollisuus

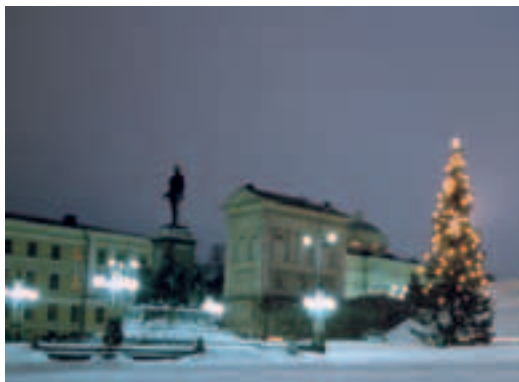
Building Technology

Building Technologies specializes in building automation, fire protection and security systems. Siemens enjoys a leading position on the building technology market. Building technology increasingly encompasses various data communications solutions, where products are virtually always connected to a network. Data security must also be taken into account.



Net Sales
In Finland and the Baltics €35 million
Global appr. €4.4 billion

Employees
In Finland and the Baltics 193



Competition further intensified on the building automation market. Whilst the number of building projects in Finland has remained relatively stable, the focus is primarily on the construction of dwellings.

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. Siemens can provide its customers with a diverse range of various mutually integratable security solutions.

As demands for pleasant surroundings and economic use of energy grow, technical solutions will account for an increasingly greater share of building costs. Building automation systems, equipment and services are the energy-saving answer to these needs in various properties. An optimally tuned building automation system and proper running can deliver

savings of 15-20 percent in a building's energy consumption. Siemens' focus in building automation continues to be to further increase its share of the maintenance and service business.

Siemens delivers products to control and monitor a building's fuel systems, heating, ventilation and air conditioning equipment. These include HVAC products such as valves, actuators, heating and air conditioning controllers and sensors. Siemens manufactures the broadest range of products in the industry.

Our major customer segments include industrial and commercial buildings, shopping malls, hotels, the defense forces, and various public buildings like hospitals and universities.

Shopping malls and commercial centers

Siemens supplied the fire detection system for the bus terminal in the new Kamppi Centre in Helsinki. The Centre is home to one of the largest underground bus terminals in Europe. Fire protection is particularly

important since the terminal is located underground. Siemens is also supplying the fire detection system for the Kamppi commercial facilities. We also supplied the optic fiber cable OTN (Open Transport Network) architecture for the Kamppi Centre. The OTN is used to manage information transfer between terminal, department store and office nodes. The network features video surveillance, crime report and access control systems, as well as building automation centers. We delivered the building automation for the enlargement of the Jumbo shopping mall in Vantaa, and for the extension of the Sello shopping mall in Espoo.

A Siemens OTN transmission network was used to

tionally had a strong position in building automation, the year under review saw fire detection systems and other security solutions assume an increasing part of business. We delivered systems to central hospitals in various hospital districts, and equipped operating theaters with wall-mounted LCD screens that enable the control of lighting and ventilation for instance.

Siemens has made challenging total deliveries to airports around the world. In Finland, Building Technologies has a long-term partnership with Finnair. In 2005, we provided building automation and fire detection systems to Helsinki-Vantaa Airport. We also secured a contract with Senate Properties, which is



manage security at the 10th IAAF World Championships in Athletics held in Helsinki in 2005. Digital and analog picture transmission, sound transmission, and digital data transmission were integrated into the OTN. It served as a tool for information flow and as a management system. The OTN linked up the police, rescue service, defense forces, Finnish Border Guard and the Championships organization.

We delivered a Siemens FibroLaser linear heat detector system to Posiva Oy. The system will be used deep down in the underground repositories, where spent nuclear fuel will be finally disposed of.

We continued deliveries to Outokumpu Stainless Oy's plants in Tornio, which are a major customer of Building Technologies. Siemens has been involved in building the plants for several years now and there is constantly systems updating and expansion work under way. Siemens has also concluded a maintenance contract with the Tornio plant.

In the healthcare sector, where Siemens has tradi-

tionally had a strong position in building automation, the year under review saw fire detection systems and other security solutions assume an increasing part of business. We delivered systems to central hospitals in various hospital districts, and equipped operating theaters with wall-mounted LCD screens that enable the control of lighting and ventilation for instance.

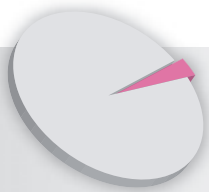
The future

Safety technology and electronic security is one business area that continues to grow. Siemens Osakeyhtiö is to further expand its range of security products. Growth is also in evidence in industrial maintenance and service. There will be increased potential to leverage synergies in real estate and industrial automation. Besides which, the integration of building technology into data communications will generate new potential as building technology increasingly becomes information technology.

www.siemens.fi/talotekniikka

Transportation

Siemens is a comprehensive provider of both rail and automotive traffic products and solutions. We rank among the world's top three turnkey providers of rail traffic solutions. Our extensive product portfolio also includes automotive traffic and parking systems. EU funding is enabling projects in the Baltics.



Net Sales
In Finland and the Baltics €24 million
Global appr. €13.8 billion

Employees
In Finland and the Baltics 22



The development of Finnish rail traffic demands on allocations in the state budget. Apart from the new direct train line between Kerava and Lahti, no funding has been recently available for other major railway projects. This also impacts on the demand for rail traffic signaling systems.

New orders received by the business area rose to a record €179 million. The largest order, for 34 diesel electric locomotives, was placed by Lithuanian Railways.

Siemens experts carry out turnkey projects, project management, commissioning and maintenance services in the traffic technology sector. Support services include a telephone support service, remote systems diagnosis, a systems maintenance review, and spare parts management.

Rail traffic products include automatic train and goods traffic control systems, track equipment components, electronic interlocking systems and operations control centers, industrial railways, level crossing protection systems, tram and metro systems, rail

communications systems, automatic train protection, electrification systems and components, and remote control systems.

Siemens is continuously innovating new signaling technologies for rail traffic, and is a major global manufacturer of rolling stock for rail. Products include tramcars, metro carriages, locomotives, commuter trains, long distance trains, and high-speed trains.

In road traffic Siemens delivers various urban and interurban traffic control systems and car park systems. Traffic light systems play a core role in controlling urban traffic. Siemens' product portfolio includes traffic light equipment, various vehicle detectors, local traffic control centers, and remote control equipment. Siemens can provide customers with single traffic control products, more extensive turnkey deliveries or anything in between. Variable message signs, tunnel control and automatic toll collection are part of our interurban traffic systems portfolio.

Siemens is also a comprehensive supplier of park-

ing systems, with a product portfolio ranging from a single pay and display machine to entire parking guidance systems on street network and inside a car park.

Major orders and projects

Siemens signed a contract with the Finnish Rail Administration to replace the signaling system of the shunting yard in Lahti. The project involves enlarging and making changes to the signaling system to take into account the new direct train line between Kerava and Lahti, and the growth in rail traffic between Helsinki and St. Petersburg.

During the year under review, Siemens and the

Siemens and RZD, the Russian railway company, signed an agreement to develop high-speed trains. RZD plans to order from Siemens 60 high-speed trains capable of operating at a top speed of 300 kilometers an hour. Some of the trains are scheduled to run between Moscow and St. Petersburg, and St. Petersburg and Helsinki.

The second phase of the SIPARK parking guidance system at the Sello shopping mall in Espoo started operation in fall 2005, on completion of the extension to the mall.

We delivered a heavy goods vehicle queue number system to the Finnish Road Administration for deploy-



Finnish Rail Administration signed a maintenance service agreement covering computer based interlocking systems delivered by Siemens for rail traffic in Finland. Hundreds of Siemens signaling system computers are in operation in the Finnish railway network. Valid indefinitely, the maintenance agreement and is to be reviewed each year. The agreement covers the whole of Finland, and applies to interlocking systems, level crossing protection systems, and remote control directed from Tampere. The agreement includes a telephone support service, remote systems diagnosis, an on site annual systems maintenance review, and spare parts management. Under the agreement, Finnish Rail Administration's basic maintenance partners can use the services.

Siemens continued to deliver new point machines for turnouts under a long-term contract with the Finnish Rail Administration.

Siemens also signed rail traffic contracts and completed various projects in the Baltics.

ment at the Vaalimaa border crossing point on the Finnish-Russian border. A similar system will also be deployed at the Nuijamaa border crossing point.

The future

The Finnish rail network will continue to need maintenance and upgrading. Rail traffic in the Helsinki Metropolitan Area is currently at a stage of heavy investment, and will in turn provide encouraging future potential. Commuter rolling stock in the Helsinki Metropolitan Area is being replaced, for example.

EU regulations are bringing additional structural changes to Finnish rail traffic. Putting out track maintenance to tender will create new opportunities.

In the Baltics, EU funding is providing added momentum to develop the railway infrastructure.

On the road traffic front, we will seek growth through separate turnkey projects.

Healthcare

Siemens' healthcare technology products and services include medical imaging systems, information systems, and technical UPTIME services. Siemens is the market leader in medical imaging systems in Finland.



Net Sales
In Finland and the Baltics €34 million
Global appr. €7.6 billion

Employees
In Finland and the Baltics 62



The overall healthcare technology market was unprecedentedly brisk during the year under review. Siemens performed well and successfully retained its position as the leading supplier of imaging systems in the Finnish healthcare sector. Prices are becoming more and more competitive, and the lifecycle costs of a system are increasingly being taken into account.

Our customers include university, central and regional hospitals, public health centers and private medical practices.

Long-term savings will be achieved once IT integration issues are also taken to account in clinical workflow. Siemens IT systems also automatically take workflow and treatment steps in account.

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 information transfer from one system to another.

Modern imaging systems are increasingly faster, more accurate, and user-friendly, thus enabling quicker, more precise patient diagnoses, whilst delivering the added benefits of better treatment.

Magnetic imaging has been steadily increasing. Furthermore, new imaging systems bought by customers are nowadays almost always digital and feature a digital or image detector.

Siemens also modernizes imaging systems. To take a case in point, 90 percent 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.

Swedish-based Siemens AB Medical Solutions group is responsible for healthcare technology sales in Finland.

Major orders

During the year under review, Siemens won an order from Suomen Terveystalo Oyj to deliver four MRI systems and to upgrade another. The systems will be delivered to Helsinki, Oulu and Kuopio, and a mobile version will be available for nationwide use.

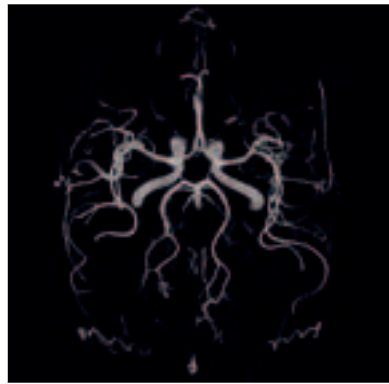
Suomen Terveystalo is to take delivery of Finland's first 3 Tesla MRI Magnetom Trio intended for patient use. The system will be delivered to MagneettiORTON, a Helsinki-based imaging unit. An MRI system operated from Jyväskylä is the first mobile Magnetom Avanto in Europe.

Siemens' Magnetom Avanto MRI systems have

placed an order for an Axiom Artis dBA angiography system, and Kainuu Central Hospital in Kajaani for an angiography system.

During the last financial year, Central Ostrobothnia Central Hospital acquired a new Somatom Sensation 64 computed tomography system from Siemens. This is the first 64-slice CT system installed in Finland.

The year under review saw HUS deploy a Siemens' healthcare IT system in two units: Department of Obstetrics and Gynecology in Helsinki and Jorvi Hospital in Espoo.



been an overwhelming success in Finland. The system is based on innovative Tim technology (Total imaging matrix) and provides images of the whole body in less than 12 minutes, without having to reposition the patient.

During the fiscal year, Turku University Central Hospital, Kuopio and Tampere university hospitals, and Satakunta Central Hospital each took delivery of a Magnetom Avanto. Two Magnetom Avanto's were delivered to Mehiläinen Oyj.

The cardiac research department at the Hospital District of Helsinki and Uusimaa's (HUS) Meilahti Hospital bought two new Axiom Artis dFC angiography systems during the year under review, and Sensis patient monitoring systems in the same context. There is seamless information flow between the angiography systems and monitoring systems. During the year under review, the HUS Hospital for Children decided to place an order with Siemens for a biplane Axiom Artis dBC angiography system and Sensis patient monitoring systems. Töölö Hospital

The future

Siemens is launching a constant stream of new innovative products on the healthcare market.

The future will see increasing integration of imaging and IT systems. The customer benefits through seamless compatibility. Buying total services seems to be a growing trend.

Different forms of imaging will become increasingly integrated with each other. Today, CT systems are being integrated into PET and gamma imaging scanners.

Medical examinations using imaging systems are becoming increasingly automated and disease-specific.

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, 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 Oy secured orders of around €62.2 million in 2005 and employs a total of 21 people in Finland, and 10 in Estonia.

www.siemens.fi/sfs

Oy Osram Ab

Osram's products include various lamps, light emitting diodes (LEDs) 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 eight percent year-on-year, and reached €22.5 million. The company employed 18 people.

Osram improved its market position in both Finland and the Baltics, with sales in both markets rising faster than in the market as a whole. Sales were up for practically all Osram products, from general lighting to electronic connectors, and LEDs.

As light production improves and unit price falls, the use of LEDs is set to rise in the foreseeable future. Also energy-saving and halogen 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, to further address marketing, and thus remain a pivotal player in the lighting business.

Next year sees Osram celebrate its centenary. The Osram trademark was registered with the patent authority in Berlin on April 17, 1906.

www.osram.fi

BSH Kodinkoneet Oy

BSH Kodinkoneet Oy imports, markets, sells and services Siemens, Bosch and Gaggenau household appliances. During the fiscal year, the company had net sales of around €51 million, and employed 45 people.

BSH retailers are electrical stores, fitted kitchen manufacturers, and construction firms.

The household appliance market grew during 2005. BSH successfully increased sales by three percent on the year. There has been a marked rise especially in the sale of quality household appliances and in-built appliances.

Exports to the Baltics grew steadily. BSH has also addressed the sale of small appliances, and greatly increased its share of the small appliance and vacuum cleaner market.

www.siemens-kodinkoneet.com

Fujitsu Siemens Computers Oy

Fujitsu Siemens Computers products are workstations, portable computers, palmtops, tablet PCs, server hardware, and storage systems. The company's customers are companies and organizations 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 fiscal year on March 31, 2005. The company performed well, with record post-tax earnings of €70 million on net sales of €6,018 million.

The Finnish sales company reported net sales of €164 million, up by an impressive 34 percent on the figure for the previous year. The company chalked up a two percentage point growth on the Finnish PC hardware market, successfully retaining its position of second place, with a healthy 22 percent 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.

The IT market has picked up, and we can expect reasonable growth during the current year. Both corporate customers and consumers are confident of continued economic growth. 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. A third strategic business area is the digital home, and associated products and solutions. The company's focused strategy and strong commitment to partnership with its retail distribution channel are the resources on which the company expects to further increase its share of the Finnish IT market.

www.fujitsu-siemens.fi



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Financial Statements

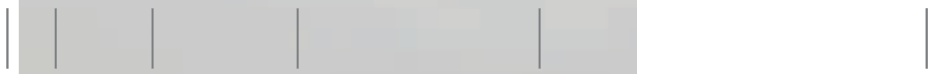
Siemens AG Key Figures

€M (US GAAP)	2004/2005	2003/2004	2002/2003	2001/2002	2000/2001
New Orders	83,791	75,789	75,056	86,214	92,528
Net Sales	75,445	70,237	74,233 *	84,016	87,000
Net Income	2,248	3,405	2,445	1,661	2,088
Net cash provided by operating activities	3,121	5,080	5,712	5,564	7,016
Net cash used in investing activities	-5,824	-1,818	-3,939	-810	-5,886
Research and development expenses	5,155	4,650	5,067	5,819	6,784
Shareholders' equity, Sept. 30	27,267	26,855	23,715	23,521	23,812
Employees, Sept. 30	461,000	424,000	417,000	426,000	484,000

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

The net sales figures for the business areas in the annual review section include the figures for Siemens global net sales and for net sales in Finland and the Baltics.

SIEMENS



www.siemens.fi



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Financial Statements

Siemens Osakeyhtiö Group 2005



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Management

CEOs of the Baltics Subsidiaries

Audris Barcevičius

CEO, UAB Siemens, Lithuania

Avo Tihamäe

CEO, AS Siemens, Estonia

Martti Kohtanen

CEO, Siemens SIA, Latvia

Management Board of Siemens Osakeyhtiö

Bengt Avellan

Business Group Director, Building Technologies

Michael Eidam

CFO

Henrik Gayer

CEO

Jussi Grönholm

Business Group Director, Business Services

Pertti Huhta

Business Group Director, Energy and Transportation

Nina Jankola

Director, Human Resources

Petteri Kleemola

Business Group Director, Communications

Tapio Lautsi

Director of Major Account Sales

Juha Lehtonen

Director, Corporate Strategy and Development

Karl Lönngren

Business Line Director, Communications

Mauri Silfverberg

Business Group Director, Industry

Jaakko Tennilä

Business Group Director, Customer Service

Terttu Tiura

Director, Corporate Communications

Board of Directors

Henrik Gayer, chairman

CEO

Michael Eidam

CFO

Dr. Edgar Wittmann

Siemens AG, Director

Supervisory Board

Kimmo Kalela, chairman

Industrial Counsellor

Dr. Thomas Ganswindt

Siemens AG, Executive Vice President

Kari Jordan

Metsäliitto Group, President

Professor Olli Martikainen

University of Oulu / Associate Research Fellow, ETLA

D Sc (Tech) Kalevi Nikkilä

Director Manfred Dönz

Siemens AG, Director

Key Figures

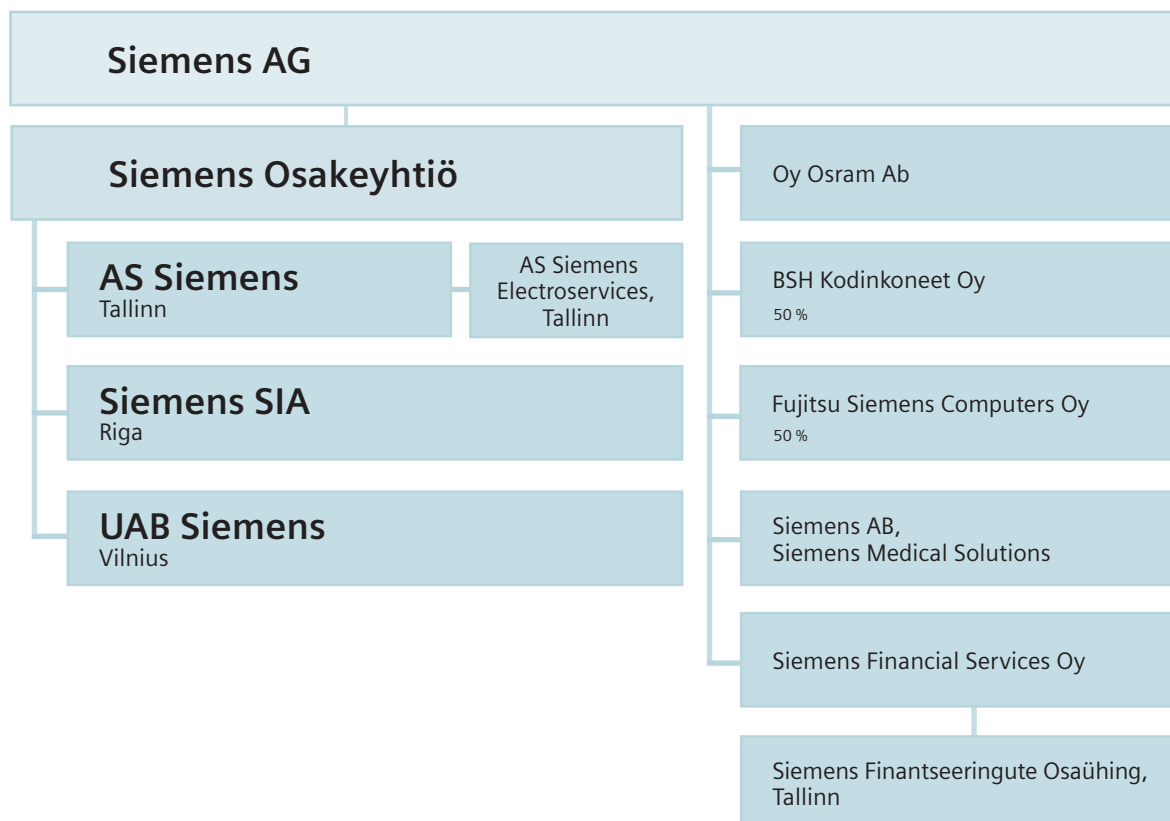
Siemens Osakeyhtiö Group

M€ (US GAAP)	2004/2005	2003/2004	2002/2003	2001/2002	2000/2001
New Orders	438	404	357	415	365
Orders on hand	185	119	90	117	110
Invoicing *	387	403	398	454	359
Net sales	376	383	382	410	339
Income before taxes	24	28	27	22	16
as % of net sales	6.4	7.2	7.0	5.4	4.7
Balance sheet total	136	157	142	141	150
Investments	4	5	4	3	7
Employees at September 30.	1443	1 426	1 262	1 363	1 568

* Invoicing = turnover+ turnover from commission sales

5

Company Structure



Siemens Osakeyhtiö Group

Board of directors' report for October 1, 2004 to September 30, 2005

Business environment

Whereas the Finnish national product continued to grow sluggishly - at just under 2 percent according to estimates, economic growth in Estonia, Latvia and Lithuania, where we have subsidiaries, remained healthy during the year under review. GNP growth in Estonia and Latvia is expected to be in the range of 6.5 percent. In 2004, Latvia's GNP rose by a record 8.5 percent compared to the previous year.

During the year under review, investments in Finland were largely in the construction sector, with continued growth particularly in the construction of dwellings and commercial premises.

Major infrastructure projects - the new nuclear power plant unit and work on constructing the new state-of-the-art harbor at Vuosaari in eastern Helsinki - stimulated the Finnish economy.

New orders

New orders secured by the Group rose by 8 percent on the year to €438 million. Order books grew most in our Transportation, Energy, Building Technology and Business Services business areas. The largest orders were secured in the Baltics.

The merger of the Finnish branch of Demag Delaval Industrial Turbomachinery Limited (DDIT) into Siemens Osakeyhtiö at the end of the previous year under review also helped swell our order books. DDIT was established to prevent restrictive trade practices in the wake of international corporate restructuring when Siemens acquired the industrial turbine business of the French company Alstom S.A. in spring 2003.

Net sales

Group net sales were down by 6 percent on the year to €376 million. This was primarily attributable to Siemens AG's regional restructuring of business areas. In earlier years, Siemens Osakeyhtiö's Latvian subsidiary, Siemens SIA, was a major supplier of mobile phones on the Belarus market. However, the mobile phone trade between Latvia and Belarus ceased at the beginning of the fiscal year under review. This in turn

resulted in a sharp fall in Siemens SIA's net sales.

Siemens Osakeyhtiö, the parent company, reported an increase of 10 percent in net sales. This was largely attributable to corporate restructuring. This is the first time the Building Technology figures are accounted for the entire fiscal year. The merger of DDIT's Finnish branch also increased Siemens Osakeyhtiö's net sales for the fiscal year.

Earnings

Group earnings were €24 million, down by 13 percent year on year. Earnings amounted to 6.4 percent of net sales. Heavy investments in hosting and outsourcing services, and building the organization required for them, eroded earnings for the fiscal year. We also invested considerably in IT excellence in Latvia by taking on more employees. Earnings in Latvia were also negatively affected by the winding up of mobile phone sales to Belarus. During the year under review, Siemens announced the sale of its mobile phone business. This in turn led to a fall in mobile phone sales in Finland during the second half of the year under review.

Future prospects

The Board of Directors expects positive progress to be made with new orders and net sales during the current fiscal year.

Investments and finance

Group investments were down by €1.6 million year on year and were used primarily in information systems.

Net cash from operations was 30.9 million in the black.

The company's financial position is expected to remain stable during the year on the back of positive business progress.

Proposal by the Board of Directors for the disposal of profit

The Board of Directors proposes that €19,300,000 be distributed as dividend.

Changes in Group structure

Siemens Osakeyhtiö established two new units during the year under review to boost customer partnerships and service.

The Major Account Sales unit started up in January 2005, and is responsible for part and total deliveries that transcend business areas, and for the management and leadership of named customer relationships.

The Customer Service unit focuses on the lifecycle services of various systems and production facilities: consulting, planning, implementation, commissioning, training, maintenance, hosting services, servicing, spares parts services and outsourcing. The unit also launched a joint helpdesk to serve all customers.

AS Siemens Electroservices, a fully owned subsidiary of AS Siemens of Estonia, expanded its operations into the Finnish electricity transmission and distribution maintenance market.

The impacts of international corporate restructuring were also felt in Finland.

Siemens acquired Flender Holding GmbH, a German manufacturer of industrial drives, and the Austrian VA TECH industrial group. Both companies have Finnish subsidiaries. A decision was made during the year under review to integrate Flender Oy into Siemens Osakeyhtiö. The merger will take place during the 2005/06 fiscal year. Flender Oy employs nine people. Likewise in 2005/06, we will study partnership models with VA TECH Group's Finnish subsidiary, VAI Finland Oy.

Siemens sold its mobile handset business to BenQ Corporation of Taiwan. The deal involved the transfer to BenQ of seven employees in Finland. Siemens incorporated its wireless products into a separate company, represented in Finland by Siemens Osakeyhtiö.

During the year under review, the parent company relinquished its share of the Masala premises, and the €2.0 million revaluation was dissolved in connection with the financial statements.

The company has no material research and development activities.

Employees

Siemens employed 1443 persons, with 988 working at Siemens Osakeyhtiö, and 455 in subsidiaries in

the Baltics. Our Latvian subsidiary, Siemens SIA, took more employees on board to serve its growing Business Services area.

Management

There were no management changes at Siemens Osakeyhtiö during the year. The company's CEO is Henrik Gayer.

Corporate governance and auditors

The company's Supervisory Board comprised Kimmo Kalela, Industrial Counsellor, (chairman), Thomas Ganswindt, member of Siemens AG's Managing Board (deputy chairman), Kari Jordan, President and CEO Metsäliitto Group, Olli Martikainen, professor, University of Oulu, Kalevi Nikkilä DSc (Tech), and Manfred Dönz, director Siemens AG.

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

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

Outlook

Finnish GNP is expected to grow by around 4 percent in 2006. Investments in industry, construction, and services are increasing. Exports are also expected to rise. This will create potential for Siemens Osakeyhtiö as a partner to customers operating in the global market.

Economic growth in the Baltics remains faster than in Finland. During the year under review, Siemens secured a major order for locomotives from Lithuanian Railways. EU-funded projects are improving the perspectives for infrastructure construction in each of the Baltic states. Driven by growing private consumption and investments, economic growth is expected to remain healthy, albeit to slow slightly, in the foreseeable future.

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

Group Statement of Income

(US GAAP)

Year ended September 30.

(€1000)	2005	2004
Net sales	375,830	383,018
Cost of sales	-295,164	-304,685
Gross profit on sales	80,666	78,333
Research and development expenses	0	-12
Marketing and selling expenses	-46,850	-41,015
General administrative expenses	-9,914	-10,322
Other operating income (expense), net	799	432
Income from investments in other companies, net	-418	279
Interest income (expense) from operating activities, net	-198	-28
Other interest income (expense), net	-36	-98
Income before income taxes	24,049	27,569
Income taxes	-5,613	-6,932
Net income	18,436	20,637

Group Balance Sheet

(US GAAP)

Year ended September 30.

(€1000)	2005	2004
Assets		
Current assets		
Cash and cash equivalents	4,548	2,299
Marketable securities	195	242
Accounts receivable, net	41,299	52,491
Intracompany receivables	13,781	8,167
Inventories, net	23,971	38,102
Deferred income taxes	1,549	841
Other current assets	4,737	5,841
Total current assets	90,080	107,982
Long-term investment in associated companies	0	1,326
Intangible assets, net	9,121	9,116
Property, plant and equipment, net	37,016	38,461
Other assets	145	437
Total assets	136,363	157,323
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt and current maturities of long-term debt	843	957
Accounts payable	14,657	23,779
Intracompany liabilities	2,530	9,216
Accrued liabilities	18,917	19,851
Other current liabilities	22,798	35,832
Total current liabilities	59,745	89,635
Long-term debt	878	295
Pension plans and similar commitments	8,982	1,430
Other accruals and provisions	0	33
Total liabilities	69,605	91,393
Shareholders' equity		
Common stock	18,870	18,870
Retained earnings	54,712	48,122
Accumulated and comprehensive income	-6,824	-1,062
Total shareholders' equity	66,758	65,930
Total liabilities and shareholders' equity	136,363	157,323

Group Cash Flow Statement

(US GAAP)

Year ended September 30.

(€1000)	2005	2004
Earnings before interest and taxes	24,216	27,667
Depreciation and amortization	5,341	5,409
Income from equity investees, net of dividends received	0	58
Change in inventories, net	14,705	-13,965
Change in accounts receivable, net	9,616	-7,193
Change in other assets	-6,447	-860
Change in accounts payable	-8,729	2,249
Change in accrued liabilities	-835	-145
Change in other liabilities	-5,695	1,676
Net cash provided from operating activities	32,172	14,896
Additions to intangible assets and property, plant and equipment	-3,531	-5,168
Retirement of property, plant and equipment and intangible assets	853	2,362
Retirement of investment	1,326	0
Change in other liquid assets	66	1
Net cash used investing activities	-1,286	-2,805
Net cash from operations	30,886	12,091
Other interest income	-167	-98
Income tax expense	-6,083	-6,932
Change in income tax accruals, receivables and liabilities	0	400
Divestments	3,431	
Change in debt	-659	809
Change in intercompany financing	-13,306	29,998
Dividends paid	-13,579	-30,534
Total balance sheet reclassifications and changes in consolidation cycle	1,732	-4,821
Net cash used in financing activities	-28,631	-11,178
Effect of changes in number of consolidated companies on cash and cash equivalents	0	2
Effect of exchange rates on cash and cash equivalents	-6	9
Change in cash and cash equivalents	2,249	924
Cash and cash equivalents at beginning of period	2,299	1,375
Cash and cash equivalents at end of period	4,548	2,299

Disclaimer

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

Annual review can be found on Siemens internet-pages:

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

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