

Overview of Water Technologies

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Siemens completes acquisition of US Filter - Strategic \$993 million acquisition in the growing water market

Effective July 31, Siemens completed its acquisition of the US Filter Corporation from the French parent company, Veolia Environnement, Paris. This \$993 million acquisition positions Siemens as the market leader in the water and wastewater treatment business in North America. The worldwide product, system and service business of US Filter with its 5,800 employees and an annual turnover of \$1.2 billion will now become a part of the Siemens Industrial Solutions and Services Group (I&S) in the form of the newly formed "Water Technologies" division.

USFilter was a perfect fit for Siemens

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USFilter Strengths

- ❑ Comprehensive portfolio of industrial and municipal systems
- ❑ Large installed base in the US
- ❑ Wide network of sales and service locations in the US



Siemens Strengths

- ❑ Financial strength to lead industry consolidation
- ❑ Extensive business activities in nearly all regions of the world
- ❑ Expertise in engineering, industrial processes, project management



Synergies

- ⊕ Total access to the water market (150,000 industrial and municipal customers)
- ⊕ Well-developed sales channels in all areas of the world
- ⊕ Packaging of water treatment technologies with automation and control

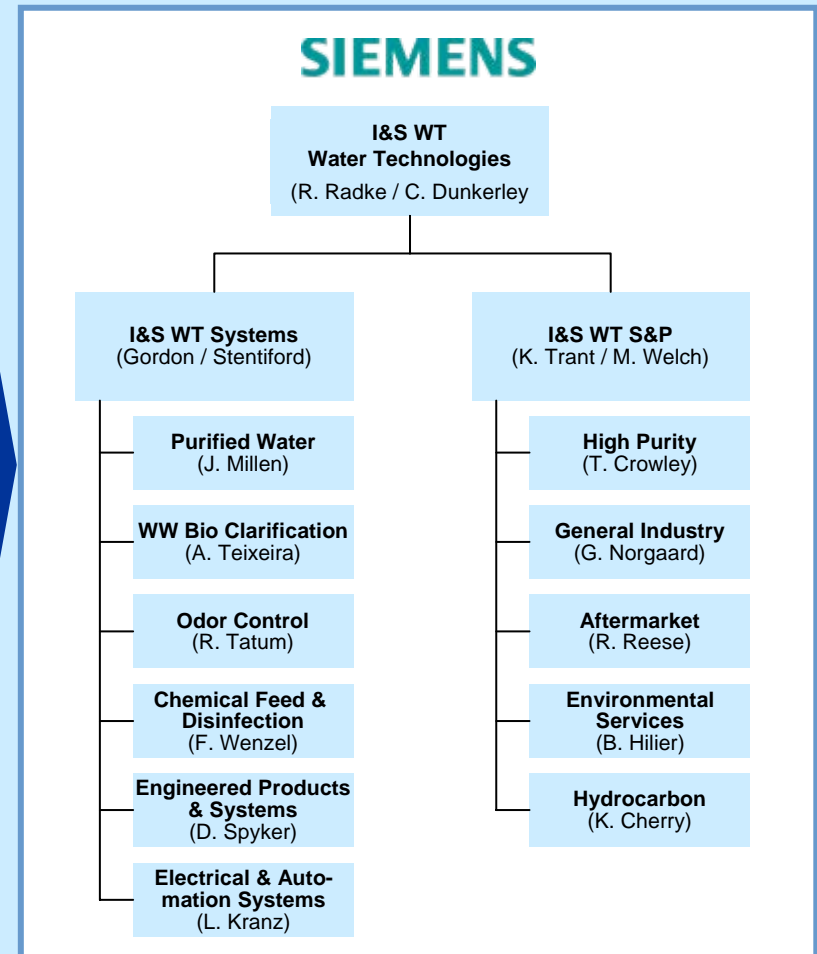
- ❑ **About 30 Business Centers (BC's) each having their own specialized products, engineered products and systems**
- ❑ **Acquired by USFilter over a period of several years through M&A activity.**
- ❑ **With the acquisition of USFilter by Veolia the overseas activities outside of US and Canada were effectively stopped and the Veolia organization became the primary sales channel for the majority of the USFilter BC's**
- ❑ **The capability to supply systems integration and packaged solutions for projects outside the USA containing equipment from multiple USFilter BC's was provided solely by Veolia**
- ❑ **Veolia also operates in the market as a General Contractor / EPC company**
- ❑ **USFilter has never been a General Contractor / EPC company**

Since July 2004 we have been transforming a set of unrelated business units into a process-driven organization

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Status in July 2004



New organizational setup since October 2005

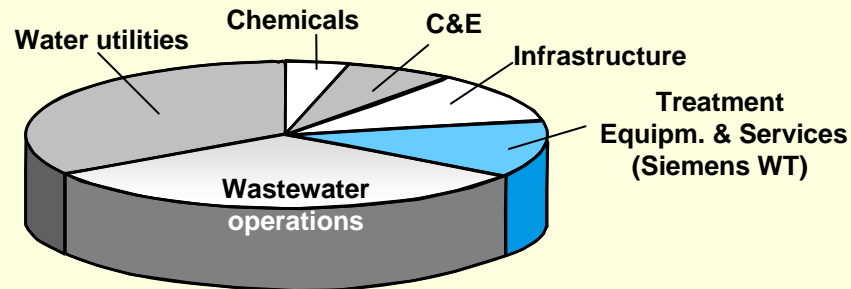
Not every segment in the water market is in our focus

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Market Definition of Siemens WT

Water and wastewater treatment equipment and services for municipal, industrial and institutional customers, excluding treatment chemicals, water distribution infrastructure, consulting/engineering and water/wastewater utility operation.

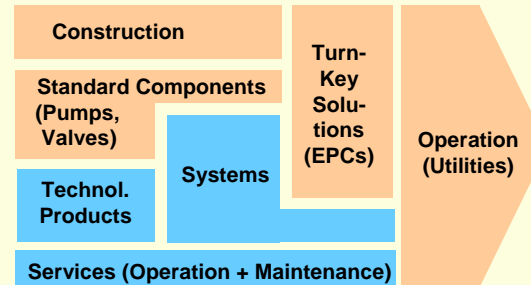
Global Market Size: \$44.7 in 2004 Growth Rate: 6% p.a.



Segmentation of Global Water Market (Total Size \$360 in 2004)

Value Chain in the Water Market

Legend:
Covered by others (orange)
Covered by Siemens WT (blue)



Water Technologies - What we do. What we don't do.

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Water Technologies provides:

- Water Treatment Products
- Water Treatment Systems
- Water Treatment Services
- Process Controls

Our business partners provide:

- Turnkey projects
- Design-build services
- Engineering-contracting
- Municipal contract operations (privatization)



Municipal Drinking Water



Municipal Wastewater



High Purity Water



Industrial Process Water



Industrial Wastewater

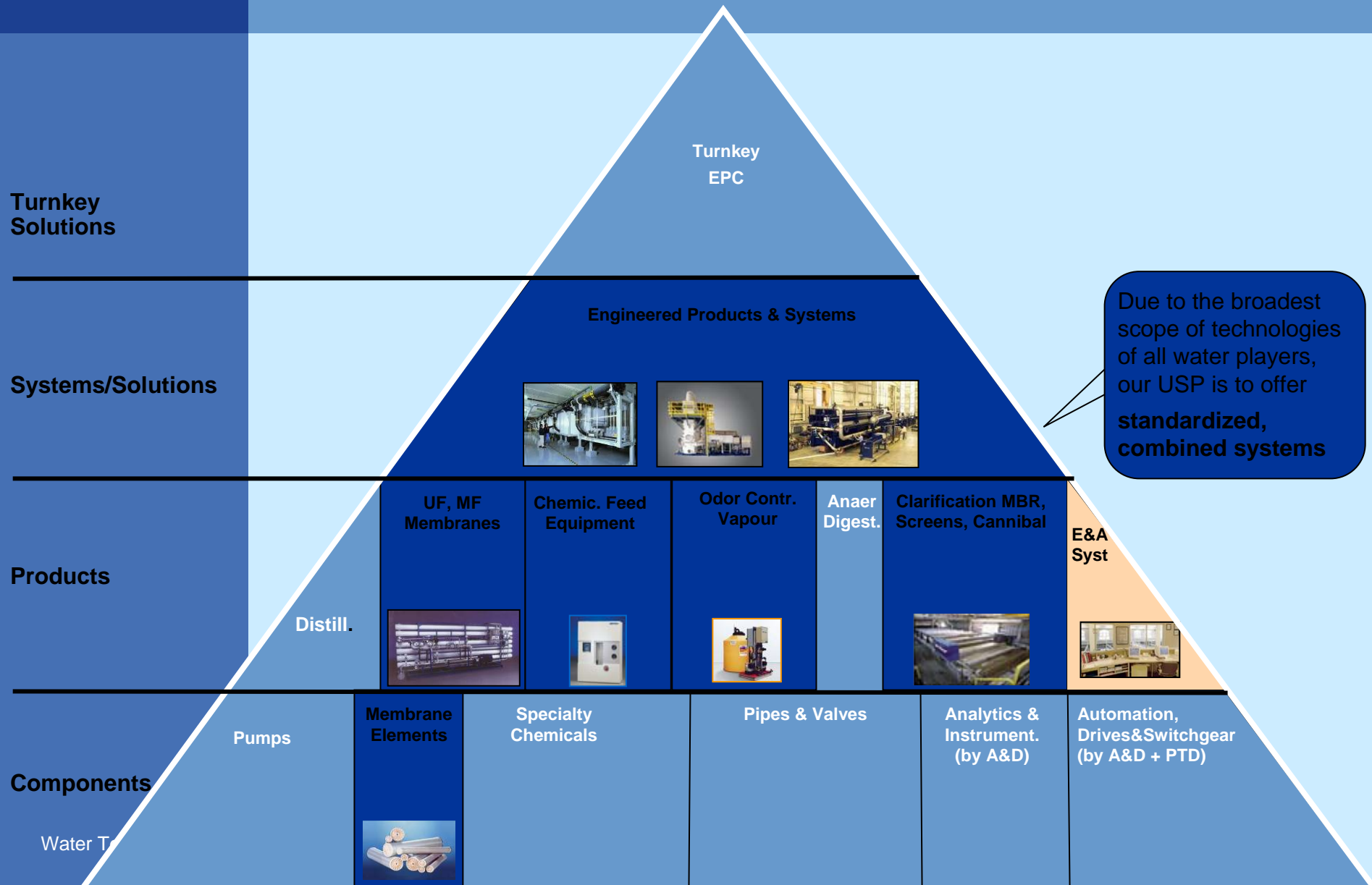


Water Reuse



I&S WT's Portfolio: Equipment

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- ❑ **Municipal drinking water**
 - Quality, environmental regulations, public health, cost, population growth

- ❑ **Municipal wastewater**
 - Environmental regulations, public acceptance, cost, population growth, reuse in arid areas

- ❑ **Industrial process water**
 - Reliability, quality, industry standards, costs

- ❑ **Industrial wastewater**
 - Environmental regulations, reuse, public acceptance, cost

- ❑ **High purity water**
 - Quality, industry standards, reliability, cost

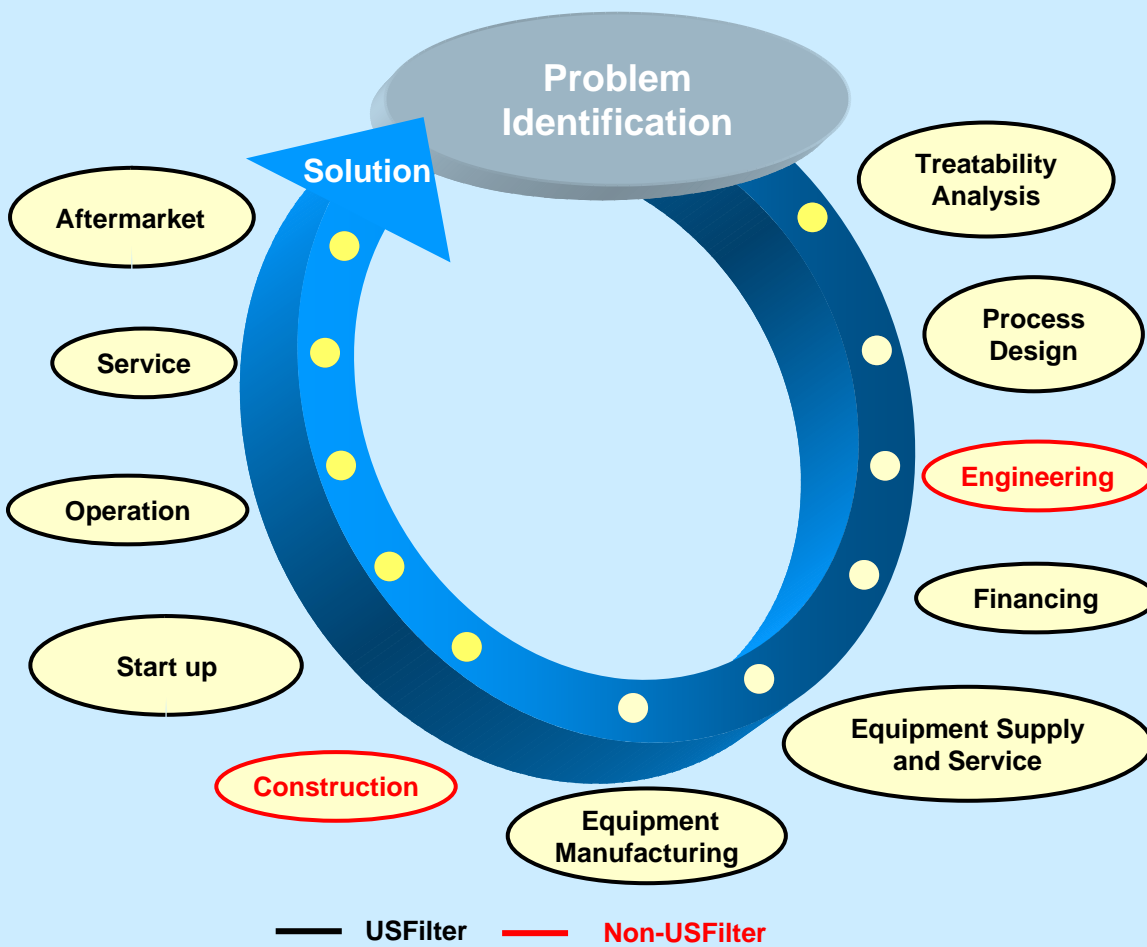
- ❑ **Water reuse**
 - Water availability, cost, quality standards



Water & Wastewater Systems & Service Strategy: *Value creation through value chain management*

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Customer



- ❑ Integrated Systems & Service project approach
- ❑ Comprehensive offering
 - Widest range of technologies
 - “Bundled” product offering where appropriate
 - Lower life-cycle cost with services
- ❑ Control versus ownership in value chain
 - Ownership of all elements lowers ROI and increases risk
 - Control is exerted through purchasing power and industry know-how