

Siemens Q1 FY12

IR FLASHLIGHT

The Analyst Conference Call is being held on January 24th, at 8.30 a.m. CET / 7.30 a.m. GMT, and will be webcast on www.siemens.com/investorrelations

The Press Conference is taking place in Munich on January 24th, at 7.30 a.m. CET / 6.30 a.m. GMT, and will be webcast on www.siemens.com/press

Safe Harbour Statement

This document contains forward-looking statements and information – that is, statements related to future, not past, events. These statements may be identified by words such as “expects,” “looks forward to,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “will,” “project” or words of similar meaning. Such statements are based on the current expectations and certain assumptions of Siemens’ management, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens’ control, affect Siemens’ operations, performance, business strategy and results and could cause the actual results, performance or achievements of Siemens to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. In particular, Siemens is strongly affected by changes in general economic and business conditions as these directly impact its processes, customers and suppliers. This may negatively impact our revenue development and the realization of greater capacity utilization as a result of growth. Yet due to their diversity, not all of Siemens’ businesses are equally affected by changes in economic conditions; considerable differences exist in the timing and magnitude of the effects of such changes. This effect is amplified by the fact that, as a global company, Siemens is active in countries with economies that vary widely in terms of growth rate. Uncertainties arise from, among other things, the risk of customers delaying the conversion of recognized orders into revenue or cancelling recognized orders, of prices declining or expenditures increasing as a result of adverse market conditions by more than is currently anticipated by Siemens’ management or of functional costs increasing in anticipation of growth that is not realized as expected. Other factors that may cause Siemens’ results to deviate from expectations include developments in the financial markets, including fluctuations in interest and exchange rates (in particular in relation to the US\$, British £ and the currencies of emerging markets such as China, India and Brazil), in commodity and equity prices, in debt prices (credit spreads) and in the value of financial assets generally. Any changes in interest rates or other assumptions used in calculating obligations for pension plans and similar commitments may impact Siemens’ defined benefit obligations and the anticipated performance of pension plan assets resulting in unexpected changes in the funded status of Siemens’ pension and other post-employment benefit plans. Any increase in market volatility, deterioration in the capital markets, decline in the conditions for the credit business, uncertainty related to the subprime, financial market and liquidity crises, including the sovereign debt crisis in the Eurozone, or fluctuations in the future financial performance of the major industries served by Siemens may have unexpected effects on Siemens’ results. Furthermore, Siemens faces risks and uncertainties in connection with: disposing of business activities, certain strategic reorientation measures, including reorganization measures relating to its segments; the performance of its equity interests and strategic alliances; the challenge of integrating major acquisitions, implementing joint ventures and other significant portfolio measures; the performance, measurement criteria and composition of its Environmental Portfolio; the introduction of competing products or technologies by other companies or market entries by new competitors; changing competitive dynamics (particularly in developing markets); the risk that new products or services will not be accepted by customers targeted by Siemens or that there may be delays in the delivery of new products and services due to unexpected technical difficulties; changes in business strategy; the interruption of our supply chain, including the inability of third parties to deliver parts, components and services on time resulting for example from natural disasters; the outcome of pending investigations, legal proceedings and actions resulting from the findings of, or related to the subject matter of, such investigations; the potential impact of such investigations and proceedings on Siemens’ business, including its relationships with governments and other customers; the potential impact of such matters on Siemens’ financial statements, and various other factors. More detailed information about certain of the risk factors affecting Siemens is contained throughout this report and in Siemens’ other filings with the SEC, which are available on the Siemens website, www.siemens.com, and on the SEC’s website, www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Siemens neither intends to, nor assumes any obligation to, update or revise these forward-looking statements in light of developments which differ from those anticipated.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

New orders and order backlog; adjusted or organic growth rates of revenue and new orders; book-to-bill ratio; Total Sectors profit; return on equity (after tax), or ROE (after tax); return on capital employed (adjusted), or ROCE (adjusted); Free cash flow, or FCF; cash conversion rate, or CCR; adjusted EBITDA; adjusted EBIT; adjusted EBITDA margins, earnings effects from purchase price allocation, or PPA effects; net debt and adjusted industrial net debt are or may be non-GAAP financial measures. These supplemental financial measures should not be viewed in isolation as alternatives to measures of Siemens’ financial condition, results of operations or cash flows as presented in accordance with IFRS in its Consolidated Financial Statements. Other companies that report or describe similarly titled financial measures may calculate them differently. Definitions of these supplemental financial measures, a discussion of the most directly comparable IFRS financial measures, information regarding the usefulness of Siemens’ supplemental financial measures, the limitations associated with these measures and reconciliations to the most comparable IFRS financial measures are available on Siemens’ Investor Relations website at www.siemens.com/nonGAAP. For additional information, see supplemental financial measures and the related discussion in Siemens’ annual report on Form 20-F for fiscal 2011, which can be found on our Investor Relations website or via the EDGAR system on the website of the United States Securities and Exchange Commission.

Financial highlights of Q1 FY12

- **Orders -4%**¹⁾ with **Energy -11%**, **HC +3%**, **Industry -2%** and **IC -5%** due to significantly higher volume of large orders in prior year; short cycle businesses holding up
- **Moderate revenue growth +3%** supported by **Energy +8%**, **HC +1%** and **Industry +5%**
Revenue increase in all reporting regions and **EM +11%** (EM 32% of total sales)
- **Record high Sector backlog at €102bn**; healthy **Sector b-t-b at 1.1x**
- **Sector Profit €1.6bn** impacted by charges in Energy and IC as well as Agenda 2013 charges in HC:
 - **Energy margin of 7.8% (underlying 10.5%) incl. €51m project charges (Olkilouto) and €87m divestment gain** JV Power Machines at **Fossil**; **incl. €203m project charges** related to grid connection offshore wind-farms at **Transmission**
 - **HC underlying margin of 15.2% excl. PPA and €72m Agenda 2013 charges** (DX charges €35m)
 - **Industry margin of 11.8%** impacted by higher functional costs
 - **IC margin of 4.9% (underlying 6.6%)** burdened by **€69m project charges** related to delays at rolling stock order in Germany
- **No significant charges at NSN; SFS incl. €78m divestment gain**
- **Income cont. ops. at €1.4bn; EPS cont. ops. at €1.53**
- **Free Cash Flow cont. ops. -€1.0bn** due to higher working capital consumption and €0.3bn cash outflow related to Particle Therapy

1) All figures y-o-y on a comparable basis excluding currency translation and portfolio effects

Key items relating to Q1 FY12 (I)

Energy

- **Fossil Power Generation**
 - Margin: 22.2%
 - Incl. €51m project charges related to Olkiluoto and €87m divestment gain JV Power Machines
 - Underlying margin: 20.8% excl. charges and divestment gain
- **Renewable Energy**
 - Margin: -5.1%
 - The wind business expects continued revenue growth and a return to profitability in coming quarters
- **Oil & Gas**
 - Margin: 7.3%
 - Margin includes a recognition of a valuation allowance on receivables
- **Power Transmission**
 - Margin: -9.9%
 - Incl. €203m project charges mainly related to grid connections to offshore wind-farms in Germany, due to project delays resulting from a complex regulatory environment and cost increases associated with marine platforms
 - Underlying margin: 4.0% excl. charges
 - The division expects continuing challenges in coming quarters

Healthcare

- **Sector Level**
 - Margin: 11.6%
 - Incl. PPA¹⁾ €42m from Diagnostics
 - Incl. €72m charges related to "Agenda 2013" initiative, in part for refocusing the radiation oncology business and improving the cost position at Diagnostics
 - Underlying margin: 15.2% excl. PPA and charges
 - Sector expects additional charges related to initiative Agenda 2013 in coming quarters
- **Diagnostics**
 - Margin: 7.3%
 - Incl. PPA¹⁾ €42m
 - Incl. €35m charges in connection with "Agenda 2013"
 - Underlying margin: 15.6% excl. PPA and charges
 - Operational challenges are expected to continue in coming quarters

1) PPA = purchase price allocation

Key items relating to Q1 FY12 (II)

Industry

▪ Industry Automation

- Margin: 14.3%
- Incl. PPA¹⁾ €35m related to UGS
- Underlying margin: 15.9% excl. PPA
- Overall profitability is strongly influenced by lower-margin industrial solutions activities including water technologies, which was transferred into IA effective with the beginning of FY 2012

▪ Drive Technologies

- Margin: 9.0%
- Incl. PPA¹⁾ €8m related to Flender
- Underlying margin: 9.3% excl. PPA
- Overall profitability is influenced by lower-margin industrial solutions activities, which were transferred into DT effective with the beginning of FY 2012

Infrastructure & Cities

▪ Transportation & Logistics

- Margin: 1.9%
- Incl. €69m charges related to delays in fulfilling a rolling stock order in Germany and €45m revenue reduction related to the delays mentioned above
- Underlying margin: 6.7% excl. charges and revenue reduction

▪ Power Grid Solutions & Products

- Margin: 6.0%

▪ Building Technologies

- Margin: 6.2%

1) PPA = purchase price allocation

Key items relating to Q1 FY12 (III)

Below the Sector

- **Equity Investments**
 - Equity Investments profit: €75m
 - NSN equity investment income €0m, restructuring and integration costs at NSN €23m
 - NSN expects substantial charges related to its previously announced global restructuring program in the coming quarter
 - Results from Equity Investments is expected to be volatile in coming quarters
- **Financial Services (SFS)**
 - Profit: €199m
 - Including €78m gain on sale of a stake in Bangalore International Airport Ltd.
 - Total assets: €16.1bn
- **SRE**
 - Income of €5m
- **Corporate Items & Pensions: Total -€74m**
 - Corporate items -€61m include:
 - Incl. -€35m related to reimbursements to AtoS S.A., which arise during post-closing transition phase as AtoS becomes Siemens' external IT service provide
 - Incl. -€46 related to a major asset retirement obligation
 - Pensions -€13m
- **Eliminations, Corporate Treasury, Others**
 - Income of €39m

Discontinued Operations

- **Discontinued operations:**
 - therein
 - Osram:
 - Revenue increase y-o-y +7% nominal and +3% organic
 - Income post tax: €115m
 - Osram announced intention to further strengthen its position in LED lighting while reducing capacities for traditional lighting products

Orders

Orders						
€m	Q1 FY11	Q4 FY11	Q1 FY12	Y-o-Y Q1 FY11 - Q1 FY12 (nominal)	Y-o-Y Q1 FY11 - Q1 FY12 (comparable) ¹⁾	Q-o-Q Q4 FY11 - Q1 FY12 (nominal)
Energy Sector	8,090	7,967	7,182	-11%	-11%	-10%
Fossil Power Generation	3,916	2,348	2,742	-30%	-31%	17%
Renewable Energy	945	2,429	1,560	65%	66%	-36%
Oil & Gas	1,394	1,445	1,422	2%	1%	-2%
Power Transmission	1,957	1,820	1,553	-21%	-16%	-15%
Healthcare Sector	3,168	3,812	3,284	4%	3%	-14%
<i>Therein</i>						
Diagnostics	926	930	927	0%	1%	0%
Industry Sector	4,993	4,962	4,901	-2%	-2%	-1%
<i>Therein</i>						
Industry Automation	2,188	2,237	2,452	12%	13%	10%
Drive Technologies	2,625	2,407	2,297	-12%	-12%	-5%
Infrastructure & Cities Sector	4,962	4,642	4,679	-6%	-5%	1%
Transportation & Logistics	2,269	1,582	1,937	-15%	-15%	22%
Power Grid Solutions & Products	1,397	1,607	1,496	7%	10%	-7%
Building Technologies	1,335	1,514	1,353	1%	1%	-11%
Total Sectors	21,214	21,383	20,046	-6%	-5%	-6%
Equity Investments						
SFS	224	224	197			
Reconciliations						
CMPA	215	92	72			
SRE	516	597	554			
Corp. Items & Pensions	121	100	136			
Elim., CT & Other recon.	-1,453	-1,239	-1,195			
Siemens (Cont. Ops.)	20,837	21,157	19,809	-5%	-4%	-6%

1) adjusted for currency translation and portfolio effects

Revenue

Revenue						
€m	Q1 FY11	Q4 FY11	Q1 FY12	Y-o-Y Q1 FY11 - Q1 FY12 (nominal)	Y-o-Y Q1 FY11 - Q1 FY12 (comparable) ¹⁾	Q-o-Q Q4 FY11 - Q1 FY12 (nominal)
Energy Sector	5,723	6,931	6,176	8%	8%	-11%
Fossil Power Generation	2,454	2,616	2,612	6%	6%	0%
Renewable Energy	868	1,157	943	9%	9%	-19%
Oil & Gas	1,066	1,351	1,239	16%	16%	-8%
Power Transmission	1,428	1,885	1,465	3%	5%	-22%
Healthcare Sector	3,135	3,407	3,152	1%	1%	-8%
<i>Therein</i>						
Diagnostics	916	935	925	1%	2%	-1%
Industry Sector	4,486	5,516	4,702	5%	5%	-15%
<i>Therein</i>						
Industry Automation	2,172	2,487	2,249	4%	4%	-10%
Drive Technologies	2,070	2,521	2,161	4%	5%	-14%
Infrastructure & Cities Sector	4,184	4,745	4,055	-3%	-3%	-15%
Transportation & Logistics	1,556	1,643	1,399	-10%	-10%	-15%
Power Grid Solutions & Products	1,330	1,666	1,353	2%	4%	-19%
Building Technologies	1,323	1,498	1,370	4%	3%	-9%
Total Sectors	17,528	20,599	18,085	3%	4%	-12%
Equity Investments						
SFS	224	224	197			
Reconciliations						
CMPA	227	102	78			
SRE	518	597	567			
Corp. Items & Pensions	109	114	121			
Elim., CT & Other recon.	-1,004	-1,286	-1,146			
Siemens (Cont. Ops.)	17,603	20,351	17,902	2%	3%	-12%

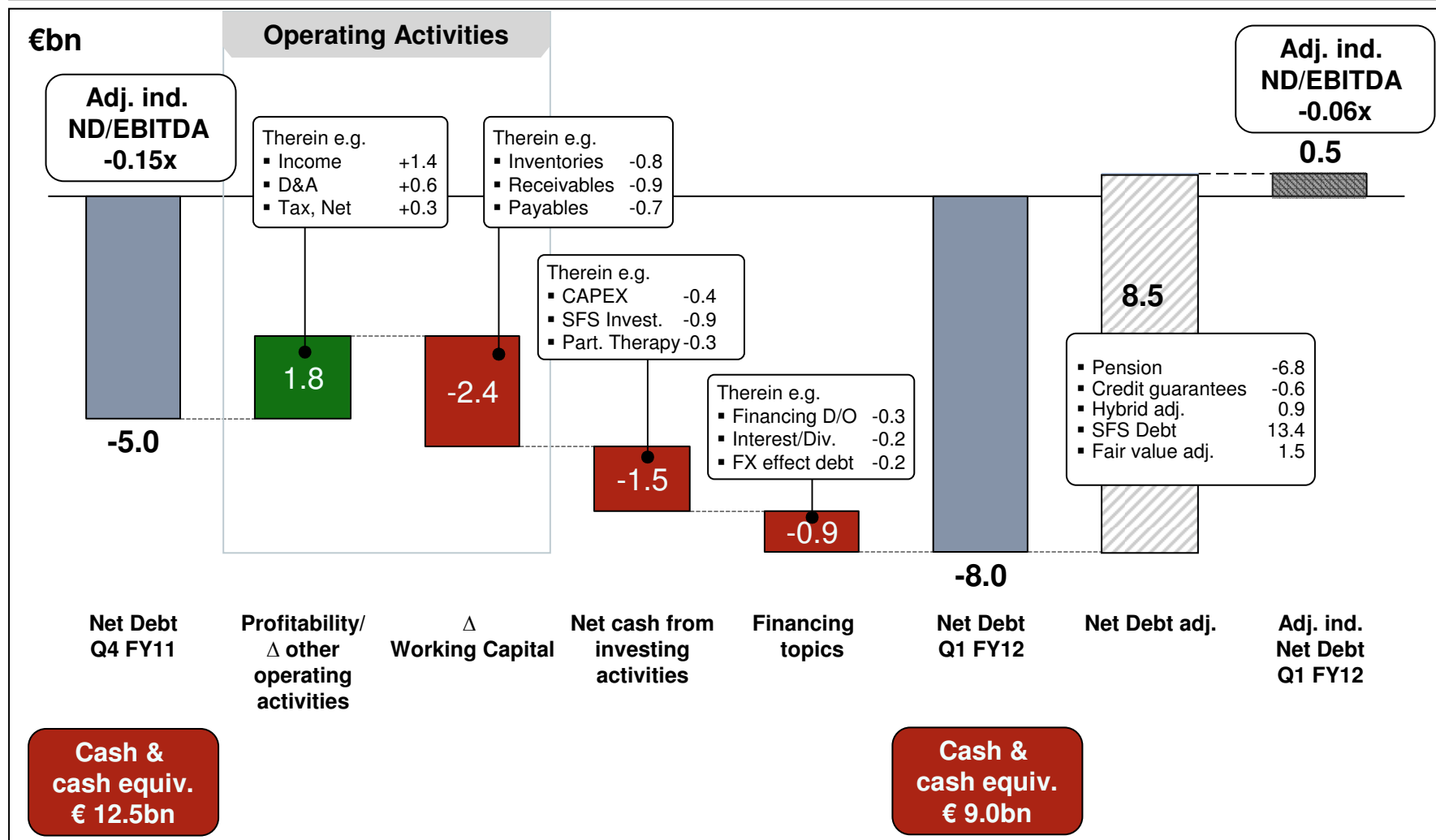
1) adjusted for currency translation and portfolio effects

Profit & Margin

Profit & Margin							
€m	Q1 FY11	Q4 FY11	Q1 FY12	Margin Q1 FY11	Margin Q4 FY11	Margin Q1 FY12	EBITDA Margin Q1 FY12
Energy Sector	753	529	481	13.1%	7.6%	7.8%	7.9%
Fossil Power Generation	474	408	580	19.3%	15.6%	22.2%	
Renewable Energy	36	-154	-48	4.2%	-13.3%	-5.1%	
Oil & Gas	108	129	90	10.2%	9.6%	7.3%	
Power Transmission	135	155	-145	9.4%	8.2%	-9.9%	
Healthcare Sector	381	494	364	12.2%	14.5%	11.6%	18.3%
<i>Therein</i>							
Diagnostics	78	63	67	8.5%	6.7%	7.3%	
Industry Sector	641	772	556	14.3%	14.0%	11.8%	14.8%
<i>Therein</i>							
Industry Automation	362	408	323	16.7%	16.4%	14.3%	
Drive Technologies	239	333	194	11.5%	13.2%	9.0%	
Infrastructure & Cities Sector	313	354	200	7.5%	7.5%	4.9%	6.5%
Transportation & Logistics	102	99	27	6.5%	6.0%	1.9%	
Power Grid Solutions & Products	120	149	82	9.0%	8.9%	6.0%	
Building Technologies	89	125	85	6.7%	8.4%	6.2%	
Total Sectors	2,088	2,149	1,601	11.9%	10.4%	8.9%	
Equity Investments	85	(49)	75				
SFS	102	123	199	22.6% ¹⁾	25.1% ¹⁾	35.7% ¹⁾	
Reconciliations							
CMPA	-1	-23	0				
SRE	97	2	5				
Corporate Items and Pensions	259	-398	-74				
Elim., CT & Other recon.	-32	24	39				
Siemens Pre-Tax Profit (Cont. Ops.)	2,599	1,829	1,846				
Taxes	-753	-601	-490				
Income from Cont. Ops.	1,846	1,228	1,356				
Income from discontinued operations	-93	3	101				
Net Income (All-In)	1,753	1,231	1,457				
Minority interest	35	59	18				
Basic EPS from Cont. Ops.	2.07	1.33	1.53				
Basic EPS from Net income (all-in)	1.97	1.34	1.64				

1) SFS: RoE after tax

Net Debt Bridge as of Q1 FY 12



Pension underfunding decreased by €0.5 bn to € -5.7 bn in Q1

- Improvement in underfunding is due to a positive actual return on plan assets. This effect was partly offset by a DBO increase resulting from a decrease in the discount rate assumption and from accrued service and interest cost
- Funded status of pension benefits excludes € -0.3 bn related to Osram

in €bn	FY 2010	FY 2011 ¹⁾	Q1 FY 2012 ¹⁾
Defined benefit obligation (DBO) of Pension Benefits	31.5	27.1	27.9
Discount rate	4.2%	4.5%	4.4%
Fair Value of plan assets	24.1	21.0	22.2
Funded status of Pension Benefits	(7.4)	(6.2)	(5.7)
DBO of Other Post-Employment Benefits (mainly unfunded)	0.8	0.8	0.8
Actual return on plan assets	n.a.	n.a.	1.1

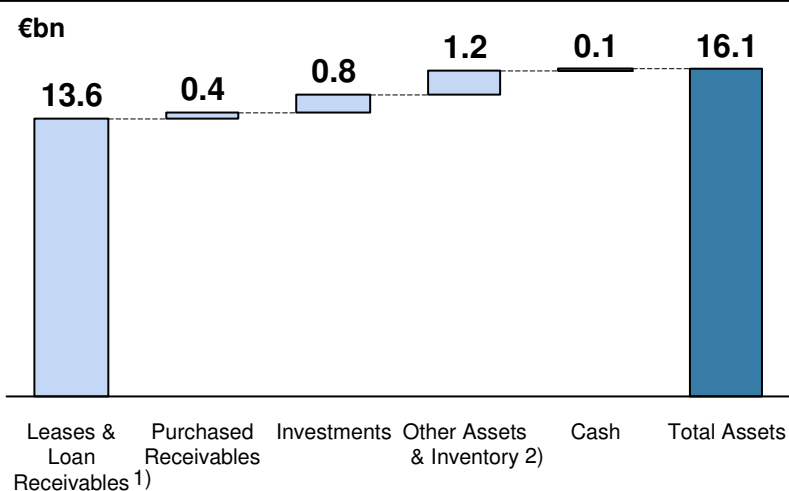
1) Figures exclude Osram which is classified as “discontinued operations” (as reported in the pension footnote).

SFS Key Figures Q1 FY 12

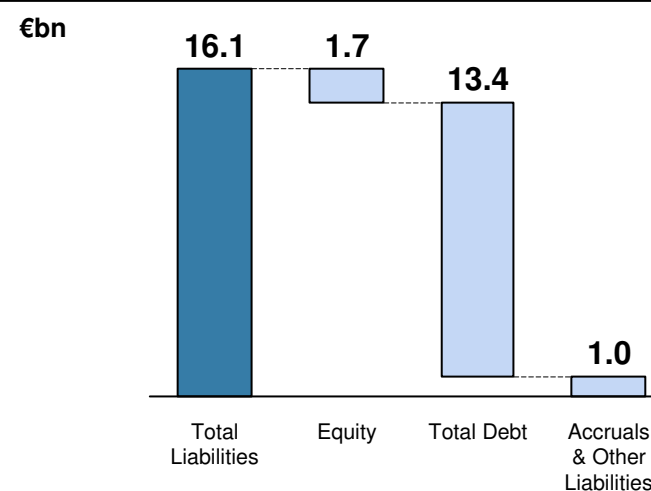
Key Financial Data SFS

- Assets: € 16.1 bn
- Profit before Tax: € 199 m
- Return on Equity after tax: 35.7%
- Investing & Financing Activities: - € 920 m

Assets



Liabilities

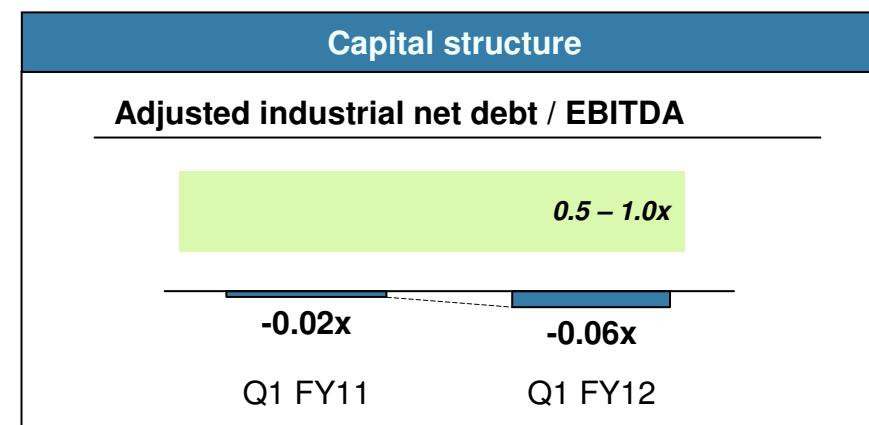
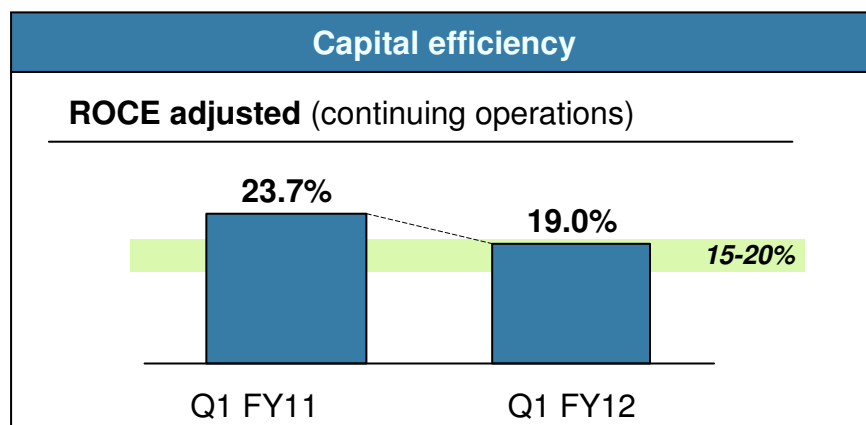
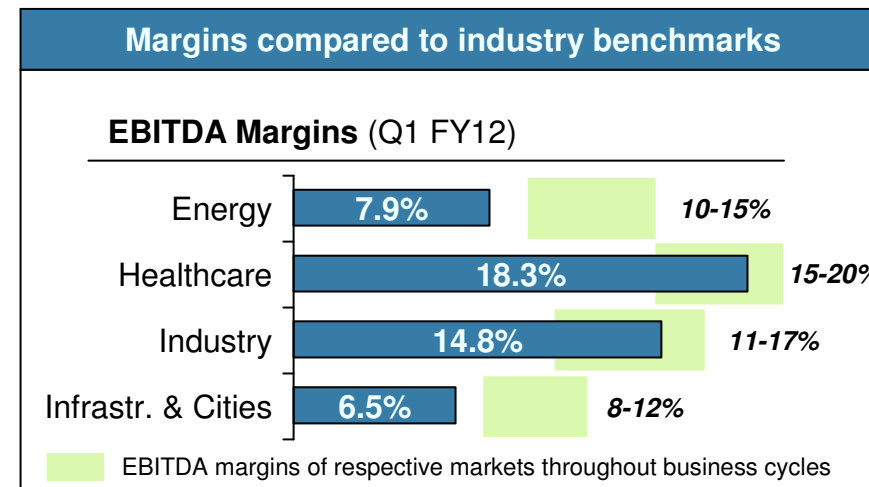
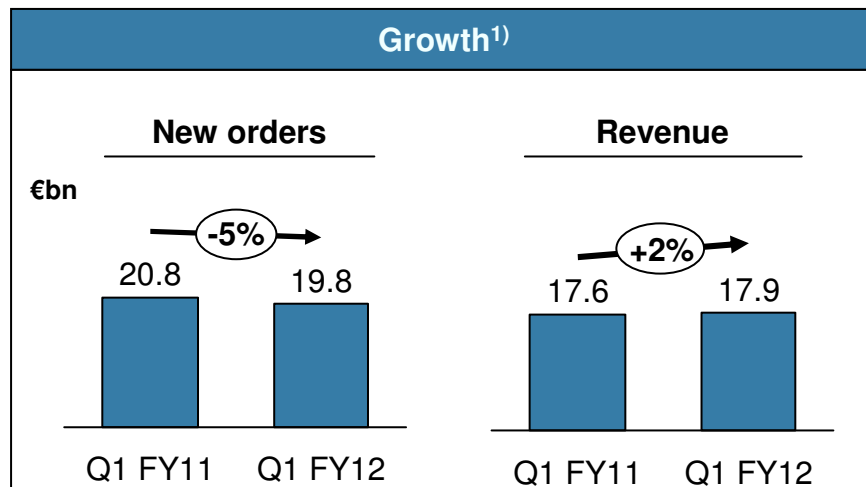


1) Operating and finance leases, originated and purchased loans and asset-based lending loans

2) Other assets & inventory includes: Intercompany receivables, securities, fair values (positive) derivatives / FX, tax receivables, fixed assets, intangible assets, land and building, prepaid expenses and inventories.

One Siemens cockpit

Financial target system



1) As reported

Reconciliation and Definitions for Non-GAAP Measures (I)



To supplement Siemens' Consolidated Financial Statements presented in accordance with International Financial Reporting Standards, or IFRS, Siemens presents the following supplemental financial measures:

- New orders and order backlog;
- Adjusted or organic growth rates of revenue and new orders;
- Book-to-bill ratio;
- Total Sectors profit;
- Return on equity (after tax), or ROE (after tax);
- Return on capital employed (adjusted), or ROCE (adjusted);
- Free cash flow, or FCF and cash conversion rate, or CCR;
- Adjusted EBITDA, adjusted EBIT and adjusted EBITDA margins;
- Earnings effect from purchase price allocation, or PPA effects;
- Net debt; and
- Adjusted industrial net debt.

These supplemental financial measures are or may be "non-GAAP financial measures," as defined in the rules of the U.S. Securities and Exchange Commission, or SEC. They may exclude or include amounts that are included or excluded, as applicable, in the calculation of the most directly comparable financial measures calculated in accordance with IFRS, and their usefulness is therefore subject to limitations, which are described below under "Limitations on the usefulness of Siemens' supplemental financial measures." Accordingly, they should not be viewed in isolation or as alternatives to the most directly comparable financial measures calculated in accordance with IFRS, as identified in the following discussion, and they should be considered in conjunction with Siemens' Consolidated Financial Statements presented in accordance with IFRS and the Notes thereto. Siemens' most recent annual Consolidated Financial Statements at any given time (the "Annual Financial Statements") can be found in the most recent Annual Report on Form 20-F filed with the SEC (the "Annual Report"), which can also be accessed at www.siemens.com/annual-report. Siemens' most recent Condensed Interim Consolidated Financial Statements at any given time (the "Interim Financial Statements") can be found in the most recent Interim Report on Form 6-K furnished to the SEC (the "Interim Report"), which can also be accessed at www.siemens.com/quarterly-reports. Alternatively, the reports can be found at www.siemens.com/investors under the heading "Financials."

In addition, in considering these supplemental financial measures, investors should bear in mind that other companies that report or describe similarly titled financial measures may calculate them differently. Accordingly, investors should exercise appropriate caution in comparing these supplemental financial measures to similarly titled financial measures reported by other companies.

Definitions, most directly comparable IFRS financial measures and usefulness of Siemens' supplemental financial measures

Siemens' supplemental financial measures are designed to measure growth, capital efficiency, cash and profit generation and optimization of Siemens' capital structure and therefore may be used to formulate targets for Siemens. The following discussion provides definitions of these supplemental financial measures, the most directly comparable IFRS financial measures and information regarding the usefulness of these supplemental financial measures.

New orders and order backlog

Under its policy for the recognition of new orders, Siemens generally recognizes a new order when we enter into a contract that we consider legally effective and compulsory based on a number of different criteria. In general, if a contract is considered legally effective and compulsory, Siemens recognizes the total contract value. The contract value is the agreed price or fee for that portion of the contract for which the delivery of goods and/or the provision of services has been irrevocably agreed. Future revenues from service, maintenance and outsourcing contracts are recognized as new orders in the amount of the total contract value only if there is adequate assurance that the contract will remain in effect for its entire duration (e.g., due to high exit barriers for the customer).

New orders are generally recognized immediately when the relevant contract becomes legally effective and compulsory. The only exceptions are orders with short overall contract terms. In this case, a separate reporting of new orders would provide no significant additional information regarding our performance. For orders of this type, the recognition of new orders thus occurs when the underlying revenue is recognized.

Reconciliation and Definitions for Non-GAAP Measures (II)



New orders and order backlog - continued

Order backlog represents an indicator for the future revenues of our Company resulting from already recognized new orders. Order backlog is calculated by adding the new orders of the current fiscal year to the balance of the order backlog from the prior fiscal year and by subtracting the revenue recognized in the current fiscal year. If an order from the current fiscal year is cancelled or its amount is modified, Siemens adjusts its new order total for the current quarter accordingly, but does not retroactively adjust previously published new order totals. However, if an order from a previous fiscal year is cancelled, generally new orders of the current quarter and, accordingly, the current fiscal year are not adjusted, instead, the existing order backlog is revised. Aside from cancellations, the order backlog is also subject to changes in the consolidation group and to currency translation effects. There is no standard system for compiling and calculating new orders and order backlog information that applies across companies. Accordingly Siemens' new orders and order backlog may not be comparable with new orders and order backlog as reported by other companies. Siemens subjects its new orders and its order backlog to internal documentation and review requirements. Siemens may change its policies for recognizing new orders and order backlog in the future without previous notice.

Adjusted or organic growth rates of revenue and new orders

Siemens presents, on a worldwide basis and for Sectors and Divisions, the percentage change from period to period in revenue and new orders as adjusted for currency translation effects and portfolio effects. The adjusted percentage changes are called adjusted or organic growth rates. The IFRS financial measure most directly comparable to the adjusted or organic growth rate of revenue is the unadjusted growth rate calculated based on the actual revenue figures presented in the Consolidated Financial Statements. There is no comparable IFRS financial measure for the adjusted or organic growth rate of new orders.

Siemens presents its Consolidated Financial Statements in euros; however, a significant proportion of the operations of its Sectors and Divisions takes place in a functional currency other than the euro and is therefore subject to foreign currency translation effects. Converting figures from these currencies into euros affects the comparability of Siemens' results and financial position when the exchange rates for these currencies fluctuate. Some businesses are significantly affected due to the large proportion of international operations, particularly in the U.S. In addition, the effect of acquisitions and dispositions on Siemens' consolidated revenues affects the comparability of the Consolidated Financial Statements between different periods.

The adjusted or organic growth rates of revenue and new orders, as the case may be, are calculated by subtracting currency translation effects and portfolio effects from the relevant actual growth rates. The currency translation effect is calculated as (1) (a) revenues or new orders, as the case may be, for the current period, based on the currency exchange rate of the current period minus (b) revenues or new orders for the current period, based on the currency exchange rate of the previous period, divided by (2) revenues or new orders for the previous period, based on the currency exchange rate of the previous period. The portfolio effect is calculated, in the case of acquisitions, as the percentage change in revenues or new orders, as the case may be, attributable to the acquired business and, in the case of dispositions, as the percentage change in revenues or new orders on the assumption that the disposed business had not been part of Siemens in the previous period. Portfolio effects are always considered in the calculation of adjusted or organic growth rates for a period of twelve months. Siemens is making portfolio adjustments for certain carve-in and carve-out transactions, as well as for other minor transactions and reclassifications in the segments. For further information regarding major acquisitions and dispositions, see Notes to Consolidated Financial Statements in the Annual Report or in the Interim Reports. Siemens believes that the presentation of an adjusted or organic growth rate of revenue and new orders provides useful information to investors because a meaningful analysis of trends in revenue and new orders from one period to the next requires comparable data and therefore an understanding of the developments in the operational business net of the impact of currency translation and portfolio effects. Siemens' management considers adjusted or organic rates of growth in its management of Siemens' business. For this reason, Siemens believes that investors' ability to assess Siemens' overall performance may be improved by disclosure of this information.

Book-to-bill ratio

The book-to-bill ratio measures the relationship between orders received and the billed amounts of products shipped and services rendered. A book-to-bill ratio of above 1 indicates that more orders were received than billed, indicating stronger demand, whereas a book-to-bill ratio of below 1 points to weaker demand. The book-to-bill ratio is not required or defined by IFRS.

Reconciliation and Definitions for Non-GAAP Measures (III)



Total Sectors Profit

Siemens uses Total Sectors profit to measure the sum of profit of the four Sectors Energy, Healthcare, Industry and Infrastructure & Cities. Profit of the Sectors is earnings before financing interest, certain pension costs and income taxes. Certain other items not considered indicative of performance by management may be excluded. Profit or loss for each reportable segment is the measure reviewed by the chief operating decision maker in accordance with IFRS 8, Operating segments. The IFRS financial measure most directly comparable to Total Sectors profit is Income from continuing operations before income taxes.

Siemens believes that investors' ability to assess Siemens' overall performance may be improved by disclosure of Total Sectors profit as a measure of the operational performance of the four Sectors representing the core industrial activities of Siemens.

ROE (after tax)

In line with common practice in the financial services industry, Financial Services (SFS) uses ROE (after tax) as one of its key profitability measures. We define ROE (after tax) as SFS Profit after tax (annualized for purposes of interim reporting), divided by SFS average allocated equity. SFS Profit as reported in the Segment information is defined as Income before income taxes (IBIT). For purposes of calculating ROE (after tax), however, the relevant income taxes are calculated on a simplified basis, by applying an assumed flat tax rate of 30% to SFS Profit, excluding Income (loss) from investments accounted for using the equity method, net which is generally net of tax already, and tax-free income components and other components which have already been taxed, or are generally tax free, or which serve as an adjustment for material taxable Income (loss) from investments accounted for using the equity method, net. The allocated equity for SFS is mainly determined and influenced by the size and quality of its portfolio of commercial finance assets (primarily leases and loans) and equity investments. This allocation is designed to cover the risks of the underlying business and is in line with common credit risk management standards. The actual risk of the SFS portfolio is evaluated and controlled on a regular basis. The allocated equity is calculated quarterly.

ROE (after tax) is reported only for the SFS segment. It is used by management as a supplement to Siemens' Consolidated Financial Statements in evaluating the business performance of SFS. Therefore Siemens believes that the presentation of ROE (after tax) provides useful information to investors.

ROCE (adjusted)

ROCE (adjusted) is Siemens' measure of capital efficiency and sustainable value creation. Siemens presents ROCE (adjusted) at the Siemens group level and uses this financial performance ratio in order to assess its income generation from the point of view of its shareholders and creditors, who provide Siemens with equity and debt. Siemens believes that the presentation of ROCE (adjusted) and the various supplemental financial measures involved in its calculation provides useful information to investors because ROCE (adjusted) can be used to determine whether capital invested in the Company yields competitive returns. In addition, achievement of predetermined targets relating to ROCE (adjusted) is one of the factors Siemens takes into account in determining the amount of performance-based compensation received by its management.

ROCE (adjusted) at the Siemens group level on a continuing operations basis

Income from continuing operations before interest after tax (annualized for purposes of interim reporting), the numerator in the ROCE (adjusted) (continuing operations) calculation, is defined as Income from continuing operations, excluding Other interest income (expense), net (but not Other interest income (expense) of SFS) (both as reported in the Consolidated Financial Statements or in the Notes to Consolidated Financial Statements in the Annual Report or Interim Report), and excluding interest cost on Pension plans and similar commitments and taxes on these interest adjustments. SFS Other income (expense) is included in Other interest income (expense), net. Adding back SFS Other income (expense) in the numerator corresponds to the adjustment for SFS Debt in the denominator. For fiscal 2012 and 2011, interest cost on Pension plans and similar commitments is calculated using the weighted average discount rate of our pension benefit plans for the fiscal years ended September 30, 2011 (4.5%) and September 30, 2010 (4.2%) (both as reported in the Notes to Consolidated Financial Statements in the Annual Report 2011) applied to Pension plans and similar commitments as reported in the Consolidated Statements of Financial Position as of September 30, 2011 and 2010, respectively.

Average capital employed (continuing operations), or CE (continuing operations), the denominator in the ROCE (adjusted) calculation, is defined as the average of Total equity plus Long-term debt, plus Short-term debt and current maturities of long-term debt, less Cash and cash equivalents, plus Pension plans and similar commitments, less SFS Debt, less Fair value hedge accounting adjustment and less Assets classified as held for disposal (presented as discontinued operations), net of Liabilities associated with assets held for disposal (presented as discontinued operations). For further information on fair value hedges, see Adjusted industrial net debt within this document and Notes to Consolidated Financial Statements in the Annual Report. Each of the components of capital employed appears on the face of the Consolidated Statements of Financial Position, in the Notes to Consolidated Financial Statements, or in the relevant tables of Item 5: Operating and financial review and prospects in the Annual Report or in the Interim group management report of the Interim Reports.

Reconciliation and Definitions for Non-GAAP Measures (IV)



ROCE (adjusted) – continued

ROCE (adjusted) at the Siemens group level on a continuing and discontinued operations basis

Siemens also presents group ROCE (adjusted) on a continuing and discontinued operations basis. For this purpose, the numerator is Income before interest after tax (annualized for purposes of interim reporting) and the denominator is CE (continuing operations) plus Assets classified as held for disposal presented as discontinued operations, net of Liabilities associated with assets held for disposal presented as discontinued operations..

FCF and CCR

Siemens defines FCF as Net cash provided by (used in) operating activities less Additions to intangible assets and property, plant and equipment. The IFRS financial measure most directly comparable to FCF is Net cash provided by (used in) operating activities.

Siemens believes that the presentation of FCF provides useful information to investors because it is a measure of cash generated by our operations after deducting cash outflows for Additions to intangible assets and property, plant and equipment. Therefore, the measure gives an indication of the long-term cash generating ability of our business. In addition, because FCF is not impacted by portfolio activities, it is less volatile than the total of Net cash provided by (used in) operating activities and Net cash provided by (used in) investing activities. For this reason, FCF is reported on a regular basis to Siemens' management, who uses it to assess and manage cash generation among the various reportable segments of Siemens and for the worldwide Siemens group. Achievement of predetermined targets relating to FCF generation is one of the factors Siemens takes into account in determining the amount of performance-based compensation received by its management, both at the level of the worldwide Siemens group and at the level of individual reportable segments. CCR, is defined as FCF divided by Net income. Siemens believes that the presentation of the CCR provides useful information to investors because it is an operational performance measure that shows how much of its income Siemens converts into FCF. CCR is reported on a regular basis to Siemens' management.

Adjusted EBITDA, adjusted EBIT and adjusted EBITDA margins

Adjusted EBITDA and adjusted EBIT at the Siemens group level

Siemens reports adjusted EBITDA and adjusted EBIT on a continuing operations basis. Siemens defines adjusted EBITDA as adjusted EBIT before amortization (which in turn is defined as Amortization and impairments of intangible assets other than goodwill) and Depreciation and impairments of property, plant and equipment and goodwill. Siemens defines adjusted EBIT as Income from continuing operations before income taxes excluding Other financial income (expense), net, Interest expense, Interest income, as well as Income (loss) from investments accounted for using the equity method, net. Each of the components of adjusted EBIT appears on the face of the Consolidated Financial Statements, and each of the additional components of adjusted EBITDA appears in the Consolidated Financial Statements in the Annual Report or Interim Reports, or is presented in the table Reconciliation to adjusted EBITDA (continuing operations) within Item 5: Operating and financial review and prospects of the Annual Report, within the Interim group management report in the Interim Reports or within this document for the current quarter.

We disclose adjusted EBITDA and adjusted EBIT as supplemental non-GAAP financial performance measures, as we believe they are useful metrics by which to compare the performance of our business from period to period. We understand that measures similar to adjusted EBITDA and adjusted EBIT are broadly used by analysts, rating agencies and investors in assessing our performance. Accordingly, Siemens believes that the presentation of adjusted EBITDA and adjusted EBIT provides useful information to investors. The IFRS financial measure most directly comparable to adjusted EBITDA and adjusted EBIT is Net income.

Adjusted EBITDA is included in the ratio of adjusted industrial net debt to adjusted EBITDA, a measure of our capital structure. For further information regarding the ratio of adjusted industrial net debt to adjusted EBITDA, see Item 5: Operating and financial review and prospects—Supplemental financial measures—Adjusted industrial net debt of the Annual Report.

Adjusted EBITDA and adjusted EBIT at the Sector level

Siemens also presents adjusted EBITDA and adjusted EBIT at the Sector level on a continuing basis. Siemens defines adjusted EBITDA at the Sector level as adjusted EBIT before amortization (which in turn is defined as Amortization and impairments of intangible assets other than goodwill) and Depreciation and impairments of property, plant and equipment and goodwill at the Sector level. Siemens defines adjusted EBIT at the Sector level as Profit as presented in the Segment information excluding Financial income (expense), net as well as Income (loss) from investments accounted for using the equity method, net. Each of the components of adjusted EBITDA and adjusted EBIT at the level of each Sector, respectively, is presented in the table — Reconciliation to adjusted EBITDA (continuing operations) within Item 5: Operating and financial review and prospects of the Annual Report, within Interim group management report in the Interim Reports or within this document for the current quarter. The IFRS financial measure most directly comparable to adjusted EBITDA and adjusted EBIT at the Sector level is Profit of the relevant Sector as presented in the Notes to Consolidated Financial Statements in the Annual Report or Interim Reports. Accordingly, we believe that reporting adjusted EBITDA and adjusted EBIT on a segment level enhances the ability of investors to compare performance across segments..

Reconciliation and Definitions for Non-GAAP Measures (V)



Adjusted EBITDA, adjusted EBIT and adjusted EBITDA margins on a continuing operations basis – continued

Adjusted EBITDA margins at the Sector level

Siemens defines adjusted EBITDA margins at the Sector level as the ratio of adjusted EBITDA to revenue (as presented in the Notes to Consolidated Financial Statements). Siemens intends to maintain and further improve the profitability of its businesses and to achieve margins on the level of the best competitors in our industries – throughout the complete business cycle. Accordingly, within One Siemens, our framework for sustainable value creation, we defined adjusted EBITDA margin ranges for the respective industries of our four Sectors.

Siemens believes that the presentation of adjusted EBITDA margins as a part of One Siemens provides useful information on how successfully Siemens operated in its markets and enhances the ability of investors to compare profitability across segments.

PPA effects

The purchase price paid for an acquired business is allocated to the assets, liabilities and contingent liabilities acquired based on their fair values. The fair value step-ups result in an earnings effect over time, e.g. additional amortization of fair value step-ups of intangible assets, which is defined as PPA effects.

Siemens believes that the presentation of PPA effects provides useful information to investors as it allows investors to consider earnings impacts related to business combination accounting in the performance analysis.

Net debt

Siemens defines net debt as total debt less total liquidity. Total debt is defined as Short-term debt and current maturities of long-term debt plus Long-term debt. Total liquidity is defined as Cash and cash equivalents plus current Available-for-sale financial assets. Each of these components appears in the Consolidated Statements of Financial Position. The IFRS financial measure most directly comparable to net debt is the total of Short-term debt and current maturities of long-term debt and Long-term debt as reported in the Notes to Consolidated Financial Statements.

Siemens believes that the presentation of net debt provides useful information to investors because its management reviews net debt as part of its management of Siemens' overall liquidity, financial flexibility, capital structure and leverage. In particular, net debt is an important component of adjusted industrial net debt. Furthermore, certain debt rating agencies, creditors and credit analysts monitor Siemens' Net debt as part of their assessments of Siemens' business.

Adjusted industrial net debt

Within One Siemens, we manage adjusted industrial net debt as one component of our capital. Siemens defines adjusted industrial net debt as net debt less SFS Debt; less 50% of the nominal amount of our hybrid bond, plus Pension plans and similar commitments (as presented in the Consolidated Financial Statements), plus credit guarantees; and less fair value hedge accounting adjustments. The adjustment for our hybrid bond considers the calculation of this financial ratio applied by rating agencies to classify 50% of our hybrid bond as equity and 50% as debt. This assignment follows the characteristics of our hybrid bond such as a long maturity date and subordination to all senior and debt obligations. Debt is generally reported with a value representing approximately the amount to be repaid. However for debt designated in a hedging relationship (fair value hedges), this amount is adjusted by changes in market value mainly due to changes in interest rates. Accordingly, we deduct these changes in market value in order to end up with an amount of debt that approximately will be repaid, which we believe is a more meaningful figure for the calculation. For further information on fair value hedges, see Notes to Consolidated Financial Statements in the Annual Report. Further information concerning adjusted industrial net debt can be found in Item 5: Operating and financial review and prospects – Liquidity and capital resources – Capital structure in the Annual Report or in Liquidity, capital resources and requirements within the Interim group management report in the Interim Reports.

A key consideration in managing our capital structure is the maintenance of ready access to the capital markets through various debt products and the preservation of our ability to repay and service our debt obligations over time. Siemens has therefore set a capital structure target that is measured by adjusted industrial net debt divided by adjusted EBITDA from continuing operations (annualized for purposes of interim reporting). We believe that adopting a metric comparing our earnings-based performance relative to our indebtedness ("leverage") assists us in managing our business to achieve these goals. We have selected adjusted EBITDA from continuing operations as the performance element of the metric because we believe our earnings-based performance is a key determinant of the willingness of lenders to provide us with debt on favorable conditions and our ability to meet our debt obligations in future periods.

Siemens believes that using the ratio of adjusted industrial net debt to adjusted EBITDA from continuing operations as a measure of its capital structure provides useful information to investors because management uses it to manage our debt-equity ratio in order to promote access to debt financing instruments in the capital markets and our ability to meet scheduled debt service obligations.

Reconciliation and Definitions for Non-GAAP Measures (VI)



Limitations on the usefulness of Siemens' supplemental financial measures

The supplemental financial measures reported by Siemens may be subject to limitations as analytical tools. In particular:

- With respect to new orders and order backlog: In particular, new order reporting for the current period may include adjustments to new orders added in previous quarters of the current fiscal year and prior fiscal years (except for cancellations). Order backlog is based on firm commitments which may be cancelled in future periods.
- With respect to adjusted or organic growth rates of revenue and new orders: These measures are not adjusted for other effects, such as increases or decreases in prices or quantity/volume.
- With respect to book-to-bill ratio: The use of this measure is inherently limited by the fact that it is a ratio and thus does not provide information as to the absolute number of orders received by Siemens or the absolute amount of products and services shipped and billed by it.
- With respect to Total Sectors profit: Profit of Equity Investments, SFS, Centrally managed portfolio activities, Siemens Real Estate, Corporate items and pensions as well as of Eliminations, Corporate Treasury and other reconciling items can have a material impact on Siemens' Income from continuing operations in any given period. In addition, Total Sectors profit does not eliminate profit earned by one Sector on intragroup transactions with another Sector.
- With respect to ROE (after tax): Profit of SFS (IBIT) as defined and as reported in the Notes to Consolidated Financial Statements may exclude certain items not considered indicative of performance by management. The relevant income taxes used to derive SFS Profit after tax (used in the numerator) are calculated by applying an assumed flat tax rate to IBIT. As a portion of the IBIT is tax free, certain IBIT components are deducted before applying the flat tax rate. For feasibility purposes, the tax free portion of IBIT is determined based on a simplified methodology, i.e., not all of the tax free IBIT components are treated as such. Accordingly, the effective amount of income taxes payable differs from the amount calculated by means of this simplified procedure. In addition, the use of ROE (after tax) is inherently limited by the fact that it is a ratio and thus does not provide information as to the absolute amount of SFS' income.
- With respect to ROCE (adjusted): The use of this measure is inherently limited by the fact that it is a ratio and thus does not provide information as to the absolute amount of Siemens' income.
- With respect to FCF and CCR: FCF is not a measure of cash generated by operations that is available exclusively for discretionary expenditures. This is, because in addition to capital expenditures needed to maintain or grow its business, Siemens requires cash for a wide variety of non-discretionary expenditures, such as interest and principal payments on outstanding debt, dividend payments or other operating expenses. In addition, the use of CCR is inherently limited by the fact that it is a ratio and thus does not provide information about the amount of Siemens' Free cash flow or cash generated by operations.
- With respect to adjusted EBITDA, adjusted EBIT and adjusted EBITDA margins: As adjusted EBITDA excludes non-cash items such as depreciation, amortization and impairments, it does not reflect the expense associated with, and accordingly the full economic effect of the loss in value of Siemens' assets over time. Similarly, neither adjusted EBITDA, adjusted EBIT nor adjusted EBITDA margins reflects the impact of Financial income (expense), net, Income (loss) from investments accounted for using the equity method, net and Income taxes.
- With respect to PPA effects: The fact that these effects are stated separately does not mean that they do not impact profit of the relevant segment in the Consolidated Financial Statements.
- With respect to net debt and the ratio of adjusted industrial net debt to adjusted EBITDA: Siemens typically uses a considerable portion of its cash, cash equivalents and available-for-sale financial assets at any given time for purposes other than debt reduction. Therefore, the fact that these items are excluded from net debt does not mean that they are used exclusively for debt repayment. The use of the ratio adjusted industrial net debt to adjusted EBITDA is inherently limited by the fact that it is a ratio.

Quantitative reconciliations of Siemens' supplemental financial measures

Information regarding the quantitative reconciliation of each supplemental financial measure to the most directly comparable IFRS financial measures is available on Siemens' Investor Relations website at www.siemens.com/nonGAAP. Siemens encourages investors to review these reconciliations carefully