

Siemens Healthcare Leading the Industry

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CEO Healthcare Sector

Capital Market Day Siemens Healthcare
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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. 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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.

An exciting and challenging time in Healthcare



... as global demand changes rapidly



Siemens Healthcare – A global Healthcare powerhouse

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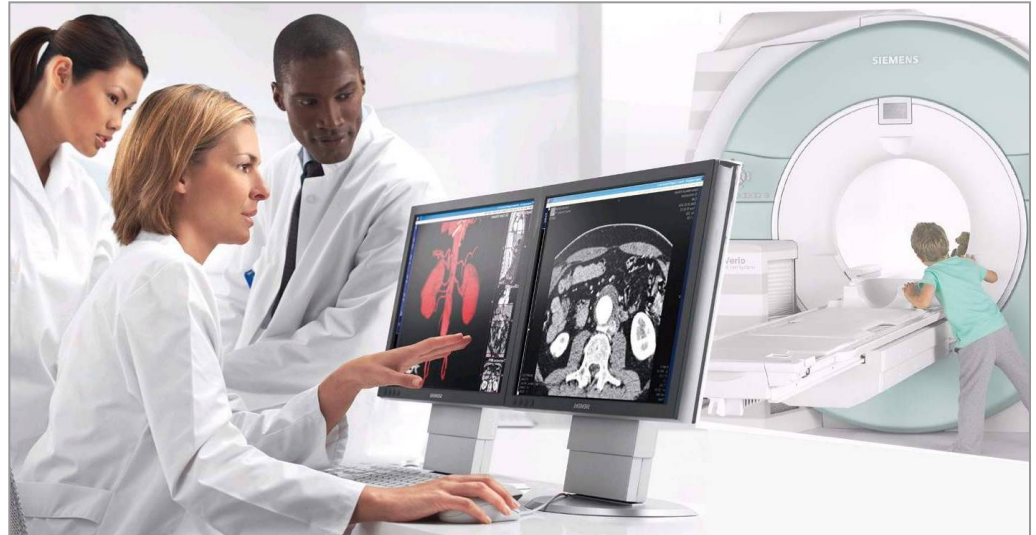
Key data FY 2011

Revenue: €12.5bn

Underlying margin: 15.7%

Employees: ~51,000

R&D: ~€1.2bn



Structure
as of Oct. 2010

Imaging &
Therapy Syst.

Clinical
Products

Diagnostics

Healthcare IT

Audiology

Customer Solutions

We continue to expand our leadership in Imaging & Therapy Systems

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- Leading market share
- Largest installed base
- Best-in-class profitability



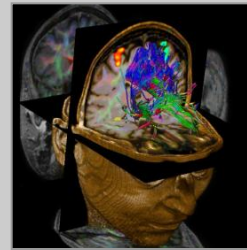
Angiography and Interventional X-Ray



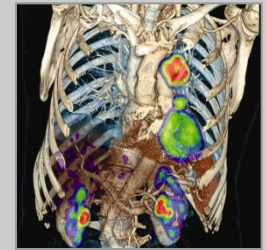
Computed Tomography and Radiation Oncology



Magnetic Resonance



Molecular Imaging



Advanced visualization

Our Diagnostics business is a key asset – but we are clearly not where we want to be

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- #1 or #2 player in major segments
- Largest overall installed base
- Competitiveness program to improve performance



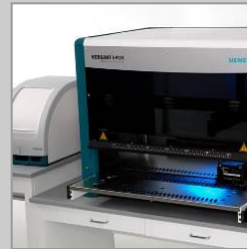
**Chemistry,
Immunoassay,
Automation & IT**



**Hemostasis /
Hematology**



**Molecular &
Microbiology**



**Point of
Care**



Laboratory Automation & IT Solutions

Clinical Products driving growth and providing access to X-Ray and Ultrasound imaging

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- Different go-to-market approach for diverse customers
- Covers both high-end and entry-level segments
- Component manufacturing for the entire Sector



X-Ray Products



Ultrasound



Components & Vacuum Technology



Healthcare Customer Solutions: Industry leading global CRM, services, and Healthcare IT



- One global CRM and service organization
- Clinical consulting to generate additional business
- Health Services: Ready for accountable care delivery model



Customer Relationship Management (CRM)



Global Customer Service



Value-added Solutions



Healthcare IT (Health Services)



Common global IT & tooling backbone

Constant innovation to remain competitive in the audiology industry

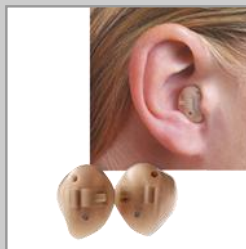
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- Best prepared by cutting edge innovation
- High margin business
- Recent investment in sales channel

Behind-The-Ear (BTE)



In-The-Ear (ITE)



Accessories



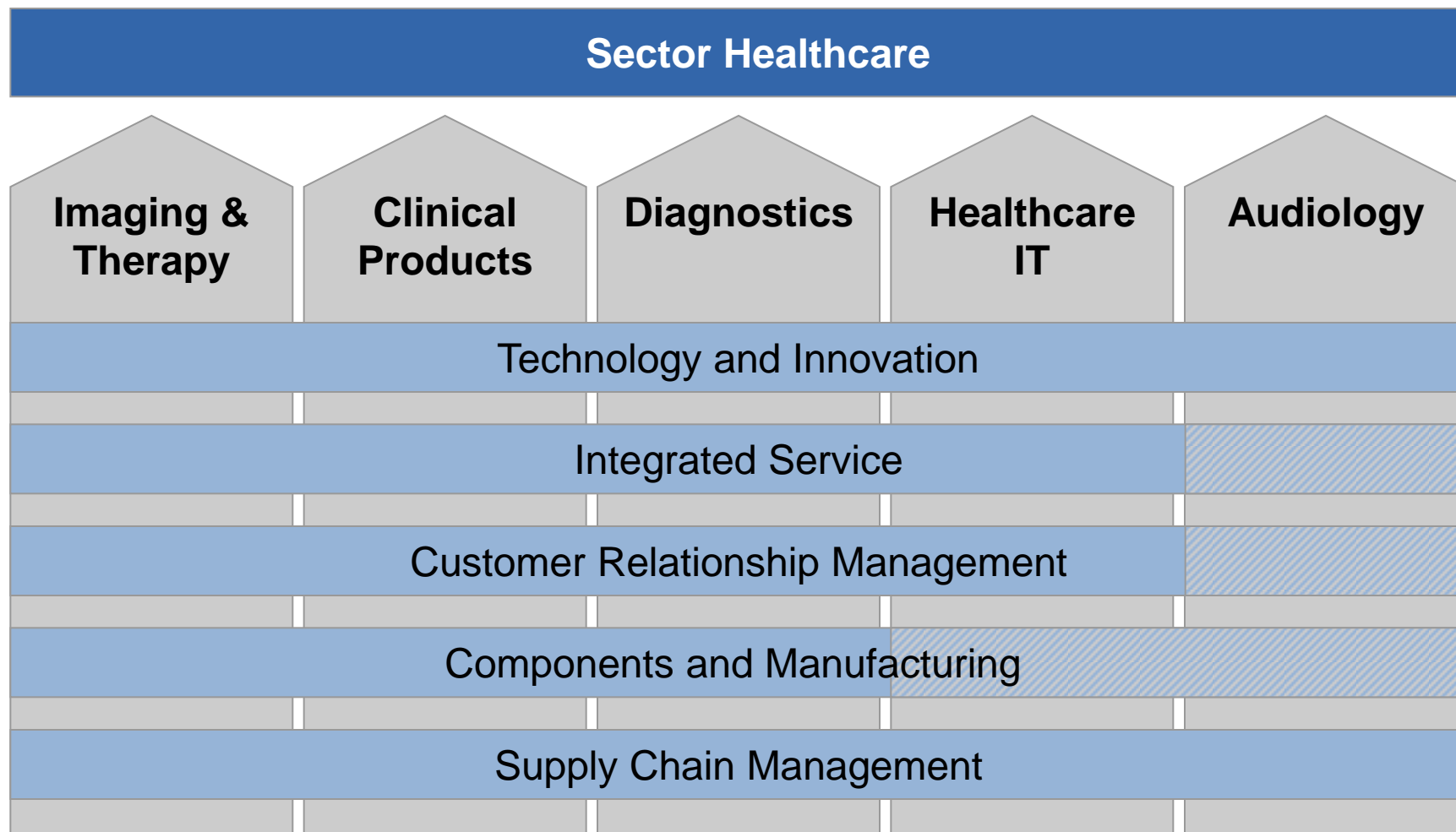
Workflow Solutions



HearUSA:
~180 centers; network of ~2,000 audiologists; online shop

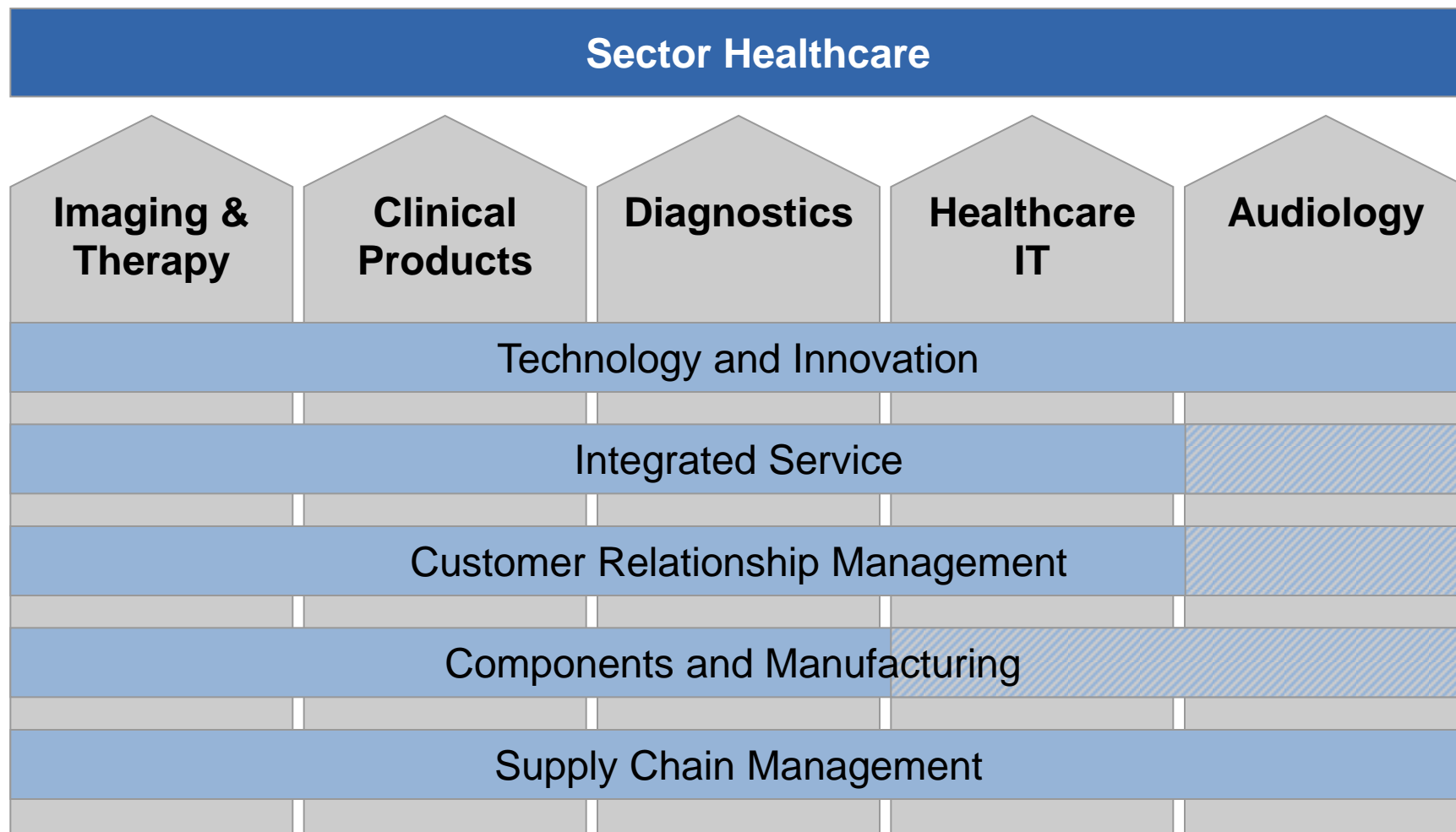
**We have further enhanced integration
across the Sector**

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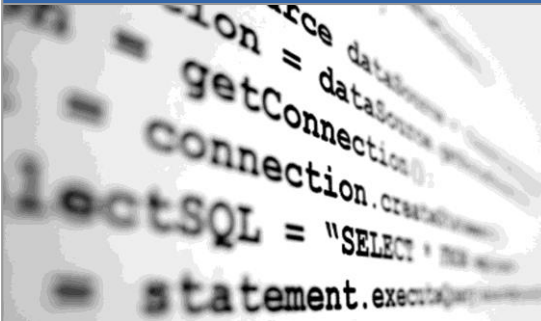
**We have further enhanced integration
across the Sector**

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Technology and innovation

Shared technology



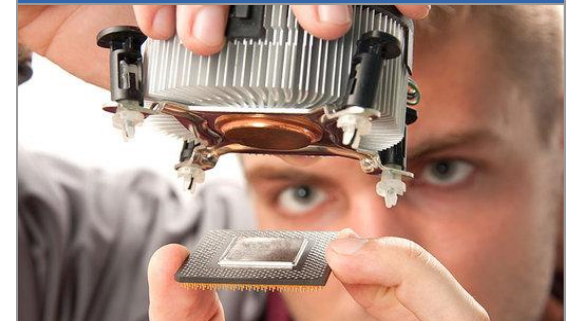
- Software, e.g. platforms and systems
- Core expertise on components, e.g., ASICs, new materials
- Reconstruction algorithms
- Architecture and design

Cross-functional teams



- Disease boards for
 - Cardiology
 - Oncology
 - Neurological disorders
- Healthcare Academy
- Process analytics

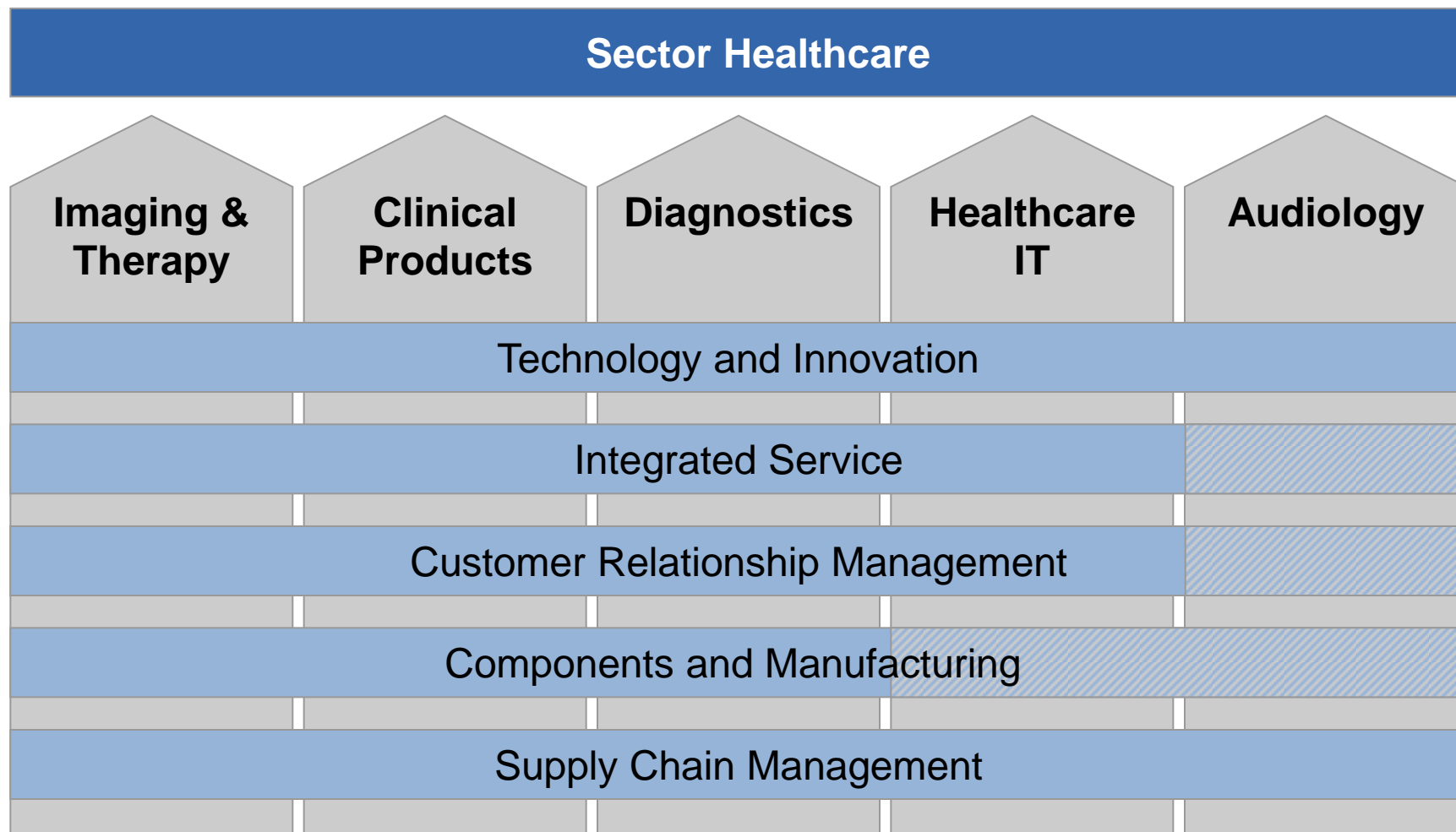
People



- Medical professionals
 - ~10% of workforce
 - ~1% are medical doctors
- Key experts
 - >200 senior scientists
 - Established expert career path

**We have further enhanced integration
across the Sector**

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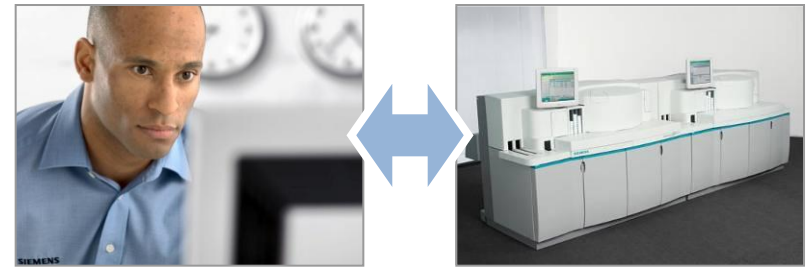
Leading the industry in service excellence

Leading in remote service in Imaging



- **Real-time monitoring** unique in the industry
→ Reduced **site visits by 8%** since 2006
- More than **100,000 systems connected**
- Remote updating **without interrupting customer's workflow** – 2 years ahead
- Equipment utilization management, improving **customer's operational efficiency** – 3 years ahead of competition

Leveraging remote service in Diagnostics



- **First** in industry with worldwide remote service
- Real-time monitoring of more than **450 parameters** (voltage, pressure, temperature, etc.) on select instrumentation
- **Assay quality control** analytics including peer group comparisons
- Remote desktop and file transfer features utilized to **address instrument issues**

High entry hurdles for new players

Healthcare is a highly regulated, technologically-driven and clinical competence demanding business

Global collaboration network

- >2,000 collaborations
- **Partnership with opinion leaders**

Access to patents

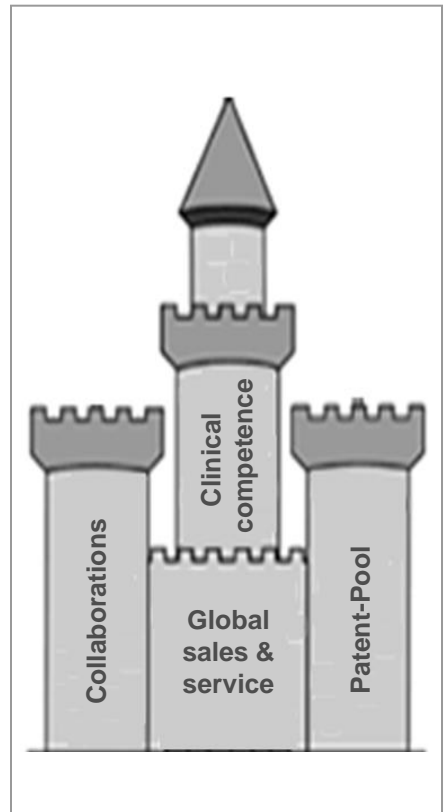
- **>12,000 patents**
- Innovation is our strength: +1,000 patents p.a.

Competence in regulatory affairs

- 100% coverage of regulatory country liaisons
- **>100 p.a. approvals in overall 144 countries**
- ~25 p.a. regulatory body audits successful

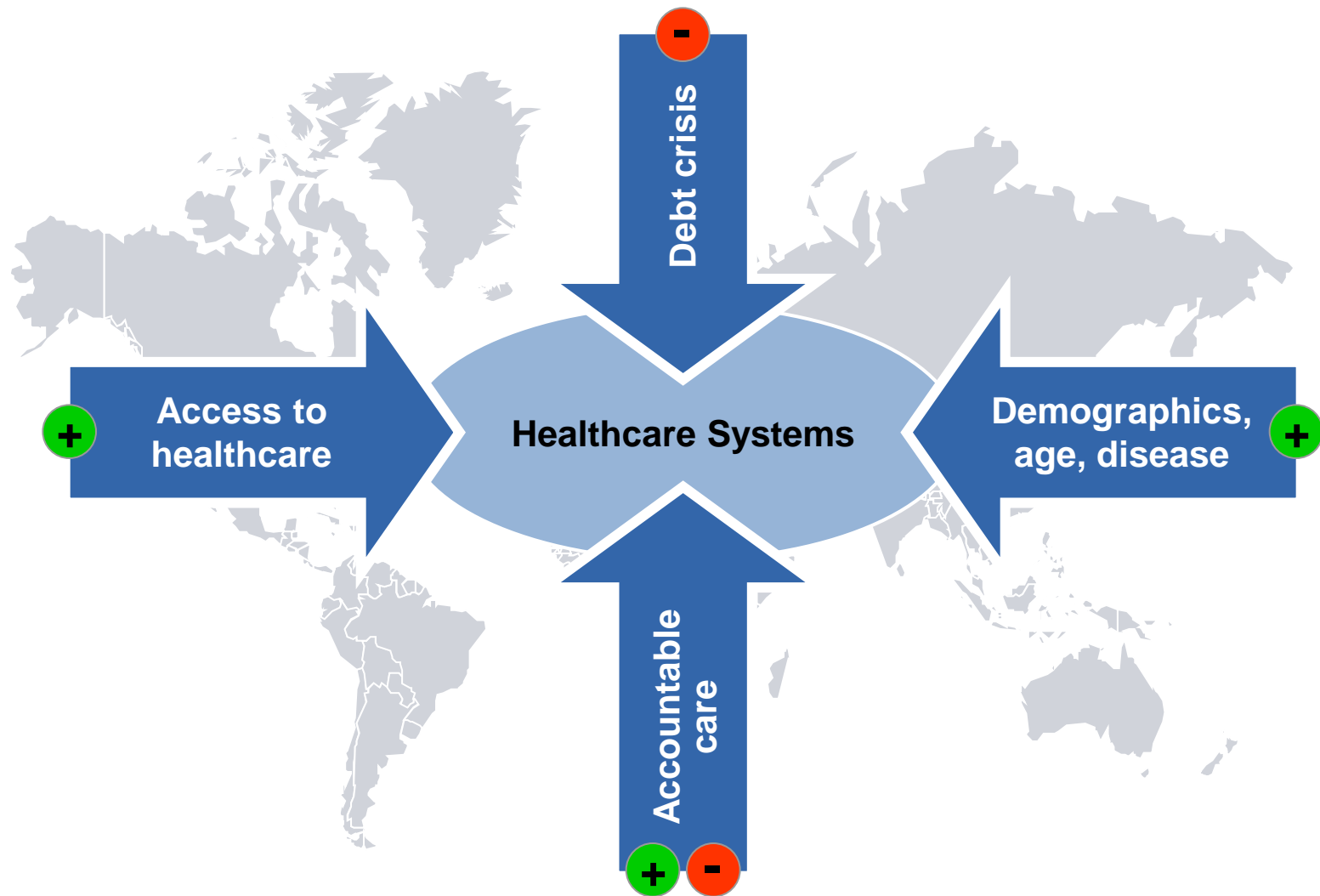
Global sales & service

- Long-term relationship with our customers
- **Proven clinical & technical competence**
- High market transparency



**However, healthcare systems worldwide
are at a juncture**

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Headwinds and tailwinds are driving major changes

Key trend impacting Healthcare

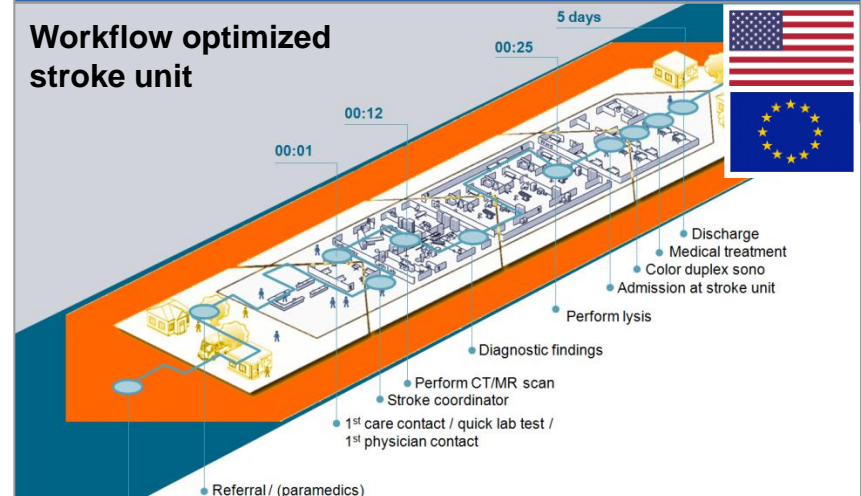
Ongoing technological and medical progress

"New medical technologies will hopefully also help us to identify and track a pathological condition right when it develops"

Aaron Ciechanover,
Nobel prize winner 2004

Example developed markets

Workflow optimized stroke unit



Example emerging markets

- Imaging and therapeutic equipment for general practitioners
- Imaging equipment for TCM¹⁾ physicians



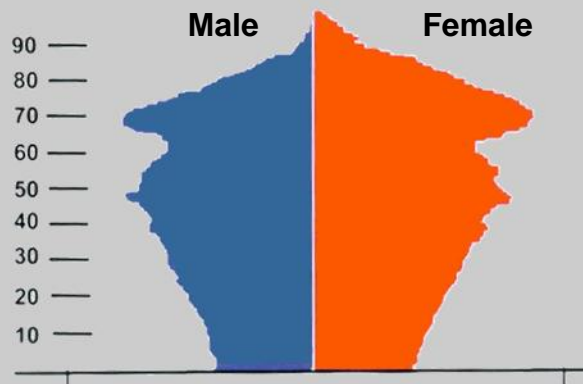
1) TCM: Traditional Chinese Medicine

Headwinds and tailwinds are driving major changes

Key trend impacting Healthcare

Aging society and shrinking workforce

Population Pyramid; Germany 2036



Example developed markets

- Aging workforce leads to "health as productivity factor"
- Dementia: 36 million people affected, growth rate: 4% p.a.
- 30-40% of "Alzheimer" patients suffer from non-Alzheimer neurodegeneration
→ increase specificity (e.g., biomarkers)

Example emerging markets

- Demographics in India & China totally different
- Life expectancy converging¹⁾:

	China	USA	Germany
2010	72.6	78.0	79.0
2050	85.0	84.0	86.0

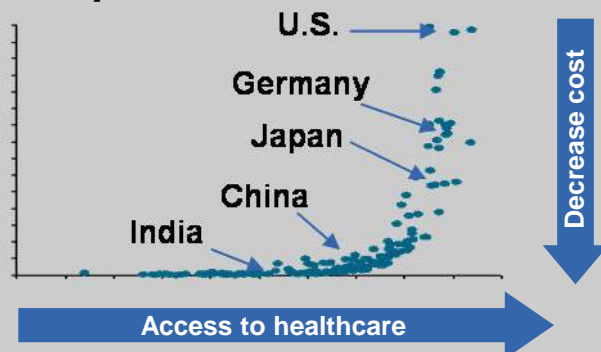
1) CESifo-group; geographixx

Headwinds and tailwinds are driving major changes

Key trend impacting Healthcare

**Increasing demand
in rural areas**

Healthcare spend vs. human development index



Example developed markets

- Increased focus on community hospitals
- Specialization structure changing
- Reimbursement schemes along the treatment chain



Example emerging markets

- Healthcare expenditure doubles until 2015
- China's 12th Five-Year Plan: "Improve the basic healthcare system" → build / upgrade 2,000 county level hospitals



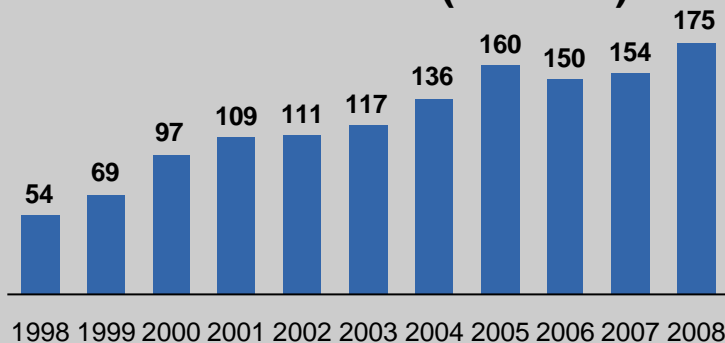
Headwinds and tailwinds are driving major changes

Key trend impacting Healthcare

Patient cost and quality consciousness

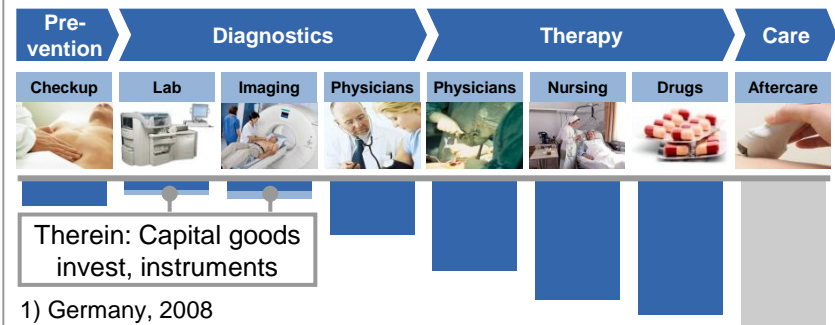
Emergence of "shared decision making"

U.S. adults searching the web for medical information (millions)



Example developed markets

German Healthcare cost distribution ¹⁾



1) Germany, 2008

Source: Statistisches Bundesamt

Example emerging markets



- Healthcare expenditure per capita ²⁾
 - China: ~250\$
 - U.S.: ~7,500\$

2) Based on 2009 data

Source: OECD

Headwinds and tailwinds are driving major changes

Key trend impacting Healthcare

- Technological / medical progress
- Aging society / shrinking workforce
- Increasing demand in rural areas
- Patient cost and quality consciousness (shared decision making)

Impact on developed markets

- Outcome-orientation
- High throughput products
- "What's wrong with the patient?"
→ "What's going to help the patient?"
- Payer involvement



Impact on emerging markets

- Changing customer profile / smart products for generalists
- High demand for value products
- New Asian competitors expected



Patient outcomes: Key to success in the future

Traditional	Transition phase	Sustainable Healthcare
Business model: <ul style="list-style-type: none"> ▪ Fee-for-service 	<ul style="list-style-type: none"> ▪ DRG ¹⁾ systems 	<ul style="list-style-type: none"> ▪ Accountable care ▪ Pay-for-performance, outcome metrics
Service execution: <ul style="list-style-type: none"> ▪ Taylorized services in general hospital 	<ul style="list-style-type: none"> ▪ Process-oriented specialized departments 	<ul style="list-style-type: none"> ▪ Networked specialized hospitals and POCs ²⁾
Patient acquisition: <ul style="list-style-type: none"> ▪ Public reputation 	<ul style="list-style-type: none"> ▪ Webpages / blogs 	<ul style="list-style-type: none"> ▪ Hospital / payer portals
Service mode: <ul style="list-style-type: none"> ▪ Individual experience 	<ul style="list-style-type: none"> ▪ Expert networks 	<ul style="list-style-type: none"> ▪ Managed knowledge ▪ Disease management

1) Diagnosis Related Groups

2) Point-of-care

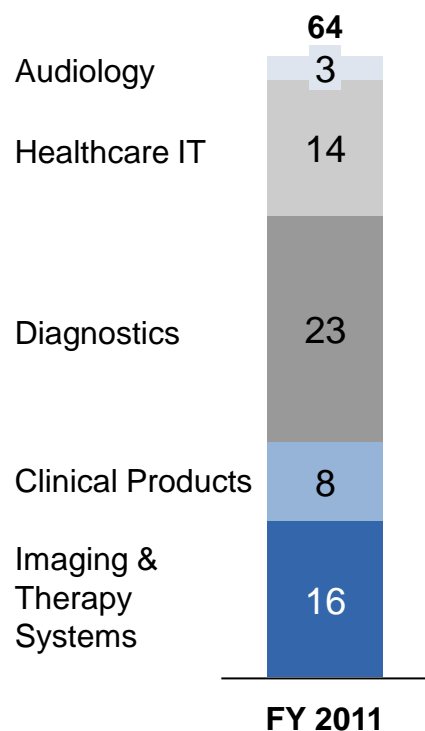
Near term challenges in our market, while mid-term growth trend is intact



Siemens Healthcare market outlook

Market €bn

Market outlook: Near term challenges ↔ Mid- to long-term growth: ~ 4-5%



- Continued demand in **hearing aids** driven by changing demographics and increasing penetration rates
- Solid demand for **Healthcare IT** in particular in U.S. (ARRA's HITECH provisions)
- Could see near term slow-down as hospitals assess and plan IT needs in preparation for Affordable Care Act
- **Diagnostics** remains a sustainable and attractive growth market (~4%)
- Market driven by demographics and increasing value of diagnostics in preventative care and therapy guidance
- Moderate growth in **Clinical Products** driven by demand to provide access to "basic imaging"
- Modest growth in **Imaging**, driven primarily by emerging markets
- Prevailing economic and reimbursement uncertainties in developed economies
- Underlying growth drivers intact (demographics, growing procedure volume)

Note: Diagnostics market excluding blood glucose self testing and other non-addressed markets, Imaging excluding Radiation Oncology

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We want to lead the healthcare changes

With Agenda 2013, we are focusing on our 4 strategic action fields



We are investing our R&D budget in 4 key **Innovation** areas

New clinical innovations

- Replacement with higher capabilities **and** new installations
- Act on trends (low dose) and markets (Hybrid OR for surgery)
- High-end innovation to serve traditional market and to capture opinion-leaders

High-throughput, cost-efficiency

- Sell productivity increase, e.g. by achieving "meaningful use" with Soarian
- Flexibility: iPad and Android-based tablet support for *syngo* and HIS ¹⁾
- Utilization management
- Set-up times MR imaging: 40% faster than next best

Entry-level product offering

- There are 2,000 hospitals but 90,000 private practices in Germany
- China's 12th Five-Year Plan for rural areas
 - **24,000** Ultrasound systems (+60%)
 - **17,000** Digital X-Ray systems (+200%)
 - **6,000** Computed Tomography syst. (+70%)
 - **2,000** Magnetic Resonance syst. (+200%)

Next generation Healthcare IT

- Act on trends (mobile devices, cloud deployment)
- Service-oriented architecture enabling
 - Data integration / 3rd party data
 - Next generation sequencing
 - Data / business analytics

1) HIS: Hospital Information Systems

Unique innovation to drive clinical value

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Customer needs

Better treatment decisions

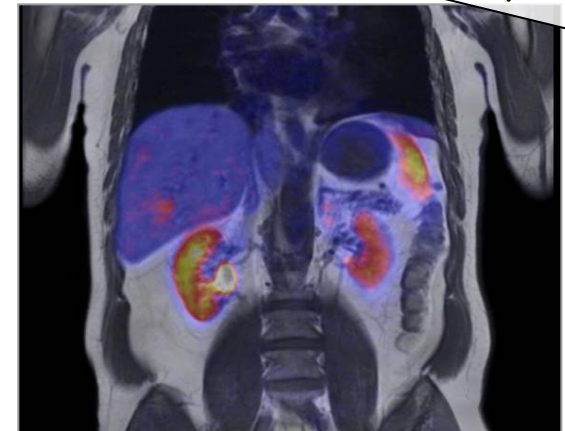
Higher accuracy and efficiency

New diagnostic possibilities for universities / opinion leaders

Biograph mMR

Revenue potential of >€200m through 2013

**First Chinese customer:
PLA301, Beijing
(March)**



- Evaluation of receptor-status and tumor load for therapy decision. Only MRI and PET together can provide this information
- mMR to deprive MR-customers from competition

Staying ahead of the innovative curve in lifestyle products

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Customer needs

For hearing-impaired patients:

Enable an active life in an aging society

Aquaris



- Water-proof, dust-proof, wireless
- High-end, premium segment with high margins
- Serves as anchor product for audiologists

Expand entry-level portfolio: New customers

Agenda 2013

Customer needs

Access to digital imaging

For small and mid-size hospitals in emerging markets

Multix Select DR / Luminos Select

Cost reduction of ~30% compared to predecessor



First customer:
Imaging Center
Bonn, Germany

- Multix Select: Produced in China, **~70% exported**
- Digital imaging: Competitive advantage vs. film
 - **Lower OPEX / TCO** and **higher quality**
 - **Growth** in China: **15% p.a.** (vs. film: ~5% p.a.)
- Extensive multiple use of components (e.g. imaging system, software)
- Attractive cost position and pricing

Improving diagnostic accuracy in Alzheimer's disease

Alzheimer's disease

25 million people are suffering from **Alzheimer's disease** (+3-4% p.a.)

Worldwide **costs exceeds \$400bn**

30-40% of diagnosed Alzheimer patients suffer from a different disease leading to wrong treatment

→ **Need for better diagnosis in order to make right treatment decision and avoid cost**

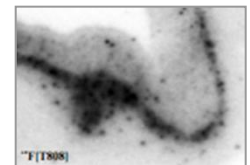
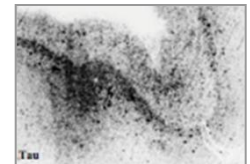
Amyloid & Tau¹⁾ imaging

Amyloid PET biomarker

- PETNET: Manufacturing and distribution
- FDA approval pending
- Market of >\$1bn in the long term
- **Revenue expectation \$40m (2013) and growing >100% mid-term**

Tau¹⁾ biomarker research

- Superior biomarker: Higher specificity
- Protected by patents
- Human studies started



1) Tau: Potential protein biomarker for early diagnosis of Alzheimer's disease

Drive global **Competitiveness** across the Sector

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Fix portfolio issues



Particle Therapy:

- Execute customer agreements
- Minimization of further risks – sales activities stopped

Radiation Oncology:

- Reposition as "Imaging Partner of Choice"
- Discontinue business with linear accelerators

Refocus for success



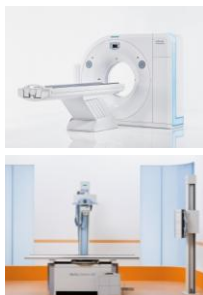
Diagnostics:

- Implement DX Competitiveness Program
- Invest in achieving innovation leadership

RIS / PACS: ¹⁾

- Focus on core segments

Driving overall efficiency



R&D allocation:

- Increase focus on design-to-cost
- Ease-of-use, imaging for generalists

Driving down costs:

- Increase footprint in China, India, Brazil
- Increase low cost purchasing

1) RIS: Radiology Information System; PACS: Picture Archiving and Communication System

Maximize **Regional Footprint**: We are among the largest medical technology players in China

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Strong footprint today

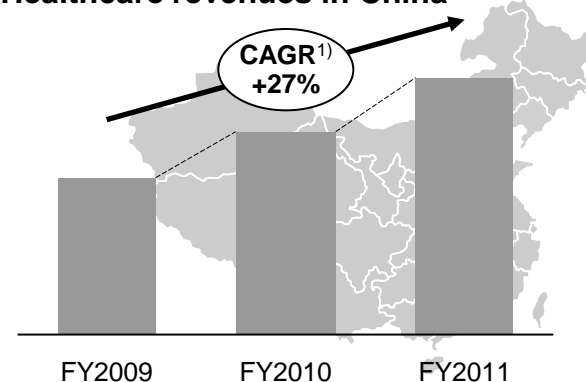
- Established presence in 1992
- Complete value chain for all major entry level imaging systems in Asia
- ~30 systems "domestic" in China alone
- Every 4th MR, every 2nd CT out of China

Significant expansion planned

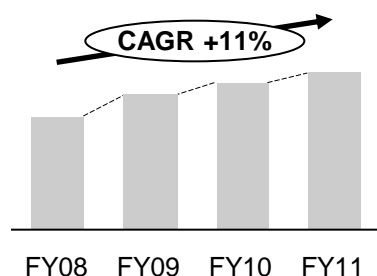
- Adding >700 headcount in FY12
- Doubling our R&D and manufacturing 'floor-space' in China over next 3 years
- Investment of >€50m over next 3 years
- Covering all three locations, all divisions

Outperforming the market

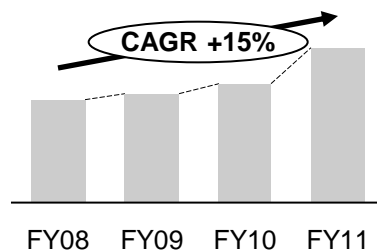
Healthcare revenues in China



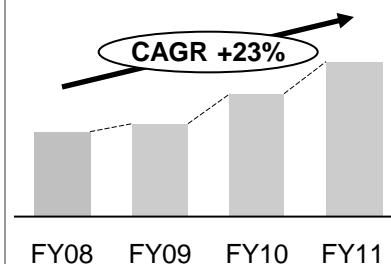
of units ²⁾ shipped from China



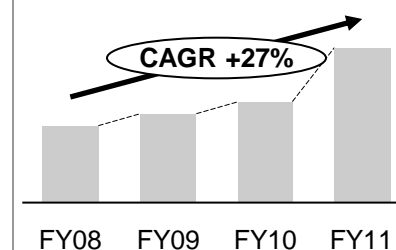
Total headcount ²⁾



of distributors ²⁾



Number of sales staff ²⁾



1) Currency adjusted growth

2) Excl. Audiology

People Development is a key priority

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Foster continuous improvement culture

- Enhance international exchange of talents
- Implement attractive training programs

Foster Key Experts and innovation culture

- Focus on Key Expert program: Global community is basis for our innovative strength (**>200 experts**)
- Focus on growth markets to attract highly skilled personnel

Focus on effective workforce acquisition and retention in growth markets

- Special retention program (**e.g. turnover rate China: ~8%**)
- Achieve critical mass of headcount in order to offer attractive career paths
- Offer incentives

Grow talent pool in growth markets

- Increase recruiter capacity
- Strengthen university collaborations

Agenda 2013 strengthens our innovation power and competitiveness

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Agenda 2013

Innovation	Competitiveness	Regional Footprint	People Development
<ul style="list-style-type: none"> Expand entry-level product offering Invest in high-throughput, cost-efficient products Drive development of next generation Healthcare IT (e.g. 'clinical cloud' and mobile devices) Enlarge the pond through new business models, e.g. with payers Explore synergies of bioinformatics, next generation diagnostics and decision support 	<ul style="list-style-type: none"> Particle Therapy: Execute customer agreements Reposition Radiation Oncology business as 'Imaging Partner of Choice' Implement 'DX Competitiveness Program' RIS/PACS: Focus on core segments Tight control of operating expenses Drive R&D allocation on DTC and margins 	<ul style="list-style-type: none"> Grow presence and business responsibility of imaging modalities in China Invest in sales force and channel build-up in growth markets Grow global network of clinical and scientific co-operation 	<ul style="list-style-type: none"> Foster continuous improvement culture Foster Key Experts and innovation culture Focus on effective workforce acquisition and retention in growth markets Grow talent pool in growth markets Enhance international exchange of talents from growth markets

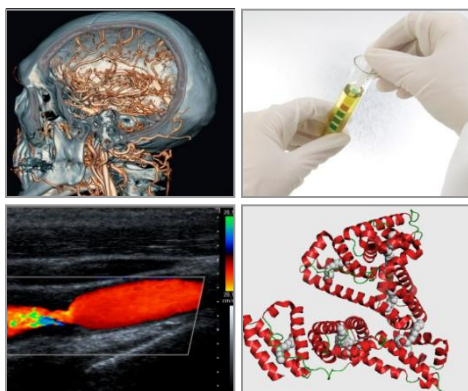
We invest in the future of Healthcare by strengthening our innovative power and competitiveness

Our portfolio is aligned with long term trends in medicine

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Understand the patient's disease

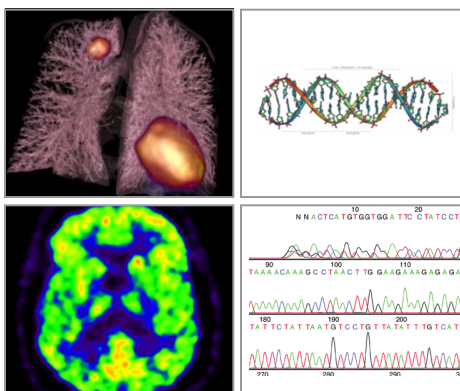
- Diagnosis of a disorder (e.g. infection, cancer, ...)
- Localization of disease (e.g. stenosis, tumor, ...)
- Reveal multi-morbidities



Imaging, diagnostics

Understand the patient's biology

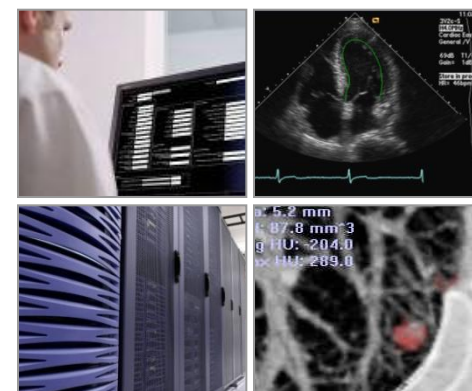
- Genetic pre-disposition
- Patient metabolism / immune reactions
- Molecular specificities of the disease
- Stratification for treatment



Molecular applications

Access state-of-the-art data bases

- Assessment of similar cases
- Structured outcome analysis
- Decision support systems
- Standards of care



Healthcare IT

Executing and delivering on our commitments

- **Industry leading product portfolio**
- **Outstanding clinical knowledge and customer understanding**
- **Resilient business model with high entry hurdles for new players**
- **Best positioned to excel in changing market environment**
- **Executing on our Agenda 2013 to drive innovation and global competitiveness**

Agenda 2013

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