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Siemens Q2 FY10

IR FLASHLIGHT

The Analyst Conference will take place in London
on April 29th, at 3.00 p.m. CEST / 2.00 p.m. BST, and will be webcast on
www.siemens.com/investorrelations

The Press Conference Call
on April 29th, at 9.00 a.m. CEST, 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. For Siemens, particular uncertainties arise, among others, from changes in general economic and business conditions (including margin developments in major business areas and recessionary trends); the possibility that customers may delay the conversion of booked orders into revenue or that prices will decline as a result of continued adverse market conditions to a greater extent than currently anticipated by Siemens' management; developments in the financial markets, including fluctuations in interest and exchange rates, commodity and equity prices, debt prices (credit spreads) and financial assets generally; continued volatility and a further deterioration of the capital markets; a worsening in the conditions of the credit business and, in particular, additional uncertainties arising out of the subprime, financial market and liquidity crises; future financial performance of major industries that Siemens serves, including, without limitation, the Sectors Industry, Energy and Healthcare; the challenges of integrating major acquisitions and implementing joint ventures and other significant portfolio measures; the introduction of competing products or technologies by other companies; a lack of acceptance of new products or services by customers targeted by Siemens; changes in business strategy; the outcome of pending investigations and legal proceedings and actions resulting from the findings of these investigations; the potential impact of such investigations and proceedings on Siemens' ongoing business including its relationships with governments and other customers; the potential impact of such matters on Siemens' financial statements; as well as 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 does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

New orders and backlog; adjusted or organic growth rates of Revenue and new orders; book-to-bill ratio; return on equity, or ROE; return on capital employed, or ROCE; Free cash flow; cash conversion rate, or CCR; EBITDA (adjusted); EBIT (adjusted); earnings effect from purchase price allocation (PPA effects) and integration costs; 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. A definition of these supplemental financial measures, a reconciliation to the most directly comparable IFRS financial measures and information regarding the usefulness and limitations of these supplemental financial measures can be found 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, which can be found on Siemens' Investor Relations website or via the EDGAR system on the website of the United States Securities and Exchange Commission.

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Financial highlights of Q2 FY10

- **Strong backlog of €84bn** increased slightly due to FX effects; **b-t-b at 0.98x**
- **Orders down -14%**[1)] due to contraction in long-cycle businesses in **Industry (-8%)** and **Energy (-26%)**
- **Revenues -4%** stabilized through recovery of short-cycle businesses and healthy growth in emerging markets
- **Total Sectors Profit of €2.1bn and margin of 12.3%** benefited from €180m pension gains partly offset by €(125)m capacity adjustments charges, thereof in IS €(38) and Fossil €(59)m
  - **Industry** margin at **9.4%** due to improving markets for short-cycle businesses
  - Excellent margin again at **Energy** of **14.0%** primarily driven by Fossil (14.2%) due to improved business mix
  - **Healthcare** margin excl. PPA, OTC at **18.9%**
- **EPS cont. ops. at €1.69** benefited from higher Total Sectors Profit and positive compliance-related one-offs of €134m included in corporate items
- **Strong Free Cash Flow cont. ops. of €1.3bn; ROCE cont. ops. at 15.1%**

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

Our revised expectations for 2010

- We continue to expect a mid-single-digit percentage decline in organic revenue in FY 10 due in part to the stabilizing effect of our strong order backlog
- Total Sectors profit will be above the prior year level of €7.466bn
- This increase from earlier guidance of €6.0 to €6.5bn correspondingly raises our expectation for after tax growth in income from continuing operations

This outlook excludes major impacts that may arise from restructuring, portfolio transactions, impairments, and legal and regulatory matters.

Key items relating to Q2 FY10 (I)

Industry

- **Industry Automation**
  - Margin: 14.2%
  - Incl. PPA[1] €(34)m related to UGS partly offset by €7m pension curtailment gain
  - Underlying margin: 16.1% excl. PPA, pension gain
  - *Q2 09: PPA €(36)m, underlying margin 10.2%*
- **Drive Technologies**
  - Margin: 11.7%
  - Incl. PPA[1] €(9)m related to Flender partly offset by €6m pension curtailment gain
  - Underlying margin: 11.9% excl. PPA, pension gain
  - *Q2 09: PPA €(9)m, underlying margin 12.9%*
- **Building Technologies**
  - Margin: 6.5%
  - Incl. charges for a supplier-related warranty largely offset by €24m pension curtailment gain
- **Osram**
  - Margin: 13.4%
  - Incl. €23m pension curtailment gain
  - Underlying margin: 11.3% excl. pension gain
- **Industry Solutions**
  - Margin: 0.1%
  - Incl. €(63)m charges related to a project engagement with a local partner in the US and €(38)m severance charges
  - Incl. €5m pension curtailment gain
  - Underlying margin: 6.6% excl. charges, pension gain

Industry

- **Mobility**
  - Margin: 8.0%
  - Incl. €11m pension curtailment gain
  - Underlying margin: 7.3% excl. pension gain

Energy

- **Fossil Power Generation**
  - Margin: 14.2%
  - Incl. €(59)m capacity adjustments charges related to a production shift within Americas (incl. €26m for severance) partly offset by €16m pension curtailment gain
  - Underlying margin: 15.9% excl. charges, pension gain
- **Renewable Energy**
  - Margin: 12.4%
- **Oil & Gas**
  - Margin: 13.0%
- **Power Transmission**
  - Margin: 11.9%
  - Incl. €2m pension curtailment gain
  - Underlying margin: 11.7% excl. pension gain
- **Power Distribution**
  - Margin: 15.0%
  - Incl. €5m pension curtailment gain
  - Underlying margin: 14.2% excl. pension gain

1) PPA = purchase price allocation; OTC = one-time costs

Key items relating to Q2 FY10 (II)

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Healthcare

- **Imaging & IT**
  - Margin: 21.1%
  - Incl. €44m pension curtailment gain and a positive effect related to favorable FX hedges, along with a favorable product mix and structural cost savings
  - Underlying margin: 18.6% excl. pension gain
- **Workflow and Solutions**
  - Margin: 6.4%
  - Incl. €7m pension curtailment gain
  - Underlying margin: 4.4% excl. pension gain
- **Diagnostics**
  - Margin: 12.8%
  - Incl. PPA €(44)m and OTC €(26)m
  - Incl. €22m pension curtailment gain
  - Underlying margin: 18.2% excl. PPA, OTC, pension gain
  - *Q2 09: PPA €(47)m, OTC €(17)m, underlying margin 13.6%, excl. PPA, OTC*

Equity Investments

- **Equity Investments**
  - Equity Investments loss: €(87)m

    NSN:
    - Q2 10: equity investment loss €(169)m, incl. restructuring charges and integration costs of €(125)m at NSN
    - *Q2 09: equity investment loss €(136)m, incl. restructuring and integration costs of €(123)m at NSN*
  - Results are expected to be volatile in coming quarters
  - *Q2 09: Equity investments loss €(113)m*

Cross-Sector Businesses, CMPA

- **Cross-Sector Businesses**
  - **Siemens IT Solutions and Services**
  - Margin: (1.0)%
  - Previously announced workforce reduction plans expected to result in substantial charges in coming quarters
  - **SFS**
  - ROE: 26.4%
  - Total assets: €12.0bn
- **Centrally managed portfolio activities (CMPA):**
  - Loss of €(25)m; incl. EA loss of €(22)m, divestment of this business is expected to result in a loss
  - *Q2 09 loss: €(96)m, incl. EA loss of €(86)m*

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Key items relating to Q2 FY10 (III)

Siemens Real Estate, Corp. Items & Pensions

- **SRE:**
  - Income of €107m; increase y-o-y primarily due to higher income related to real estate disposals
  - Assets of €194m transferred to SRE in Q2 10 as part of Siemens' program to bundle real estate assets; SRE anticipates to continuously incur costs associated with the program in coming quarters
  - SRE expects to continue real estate disposals in coming quarters depending on market conditions
  - *Q2 09 income:* *€37m*
- **Corporate Items & Pensions: €(156)m**

  Corporate items €(105)m include:
  - €96m gain resulting from an agreement with D&O insurance and settlements with former members of Siemens' Managing Board and Supervisory Board
  - €38m income related to the agreed recovery of certain funds frozen by authorities
  - *Q2 09:* *€(368)m incl. a charge related to legal and regulatory matters, €(33)m in expenses for outside advisors in connection with legal and regulatory matters, and €(33)m in net negative effects related to severance programs*

Corporate Treasury, Eliminations

- **Corporate Treasury, Elim., other reconciling items: €(32)m**

Cash Flow

- **Free Cash Flow continuing operations: €1.251bn**
  - Incl. cash outflows of approx. €(0.2)bn related to severance charges and substantially higher payments related to income taxes, cash outflows for treasury activities and supplemental pension funding in the UK
  - *Q2 09:* *€1.138bn*
  - *Incl. cash outflows of approx. €(0.3)bn from charges related to project reviews and structural initiatives as well as to SG&A*

Q2 FY10 Key figures – New orders

New orders

€m	Q2 2009	Q1 2010	Q2 2010	Y-o-Y Q2 09 - Q2 10	Y-o-Y adj.* Q2 09 - Q2 10	Q-o-Q Q1 10 - Q2 10
Industry Sector	**8,801**	**8,249**	**8,023**	**-9%**	**-8%**	**-3%**
Industry Automation	1,328	1,406	1,509	14%	14%	7%
Drive Technologies	1,627	1,575	1,813	11%	12%	15%
Building Technologies	1,628	1,611	1,677	3%	3%	4%
Osram	971	1,130	1,146	18%	20%	1%
Industry Solutions	1,737	1,233	1,427	-18%	-18%	16%
Mobility	2,208	1,887	1,141	-48%	-48%	-40%
Energy Sector	**8,206**	**6,918**	**6,081**	**-26%**	**-26%**	**-12%**
Fossil Power Generation	3,475	2,040	2,250	-35%	-35%	10%
Renewable Energy	1,587	1,576	628	-60%	-61%	-60%
Oil & Gas	920	1,030	1,178	28%	25%	14%
Power Transmission	1,594	1,712	1,424	-11%	-11%	-17%
Power Distribution	757	727	777	3%	1%	7%
Healthcare Sector	**2,951**	**2,869**	**2,945**	**0%**	**1%**	**3%**
Imaging & IT	1,661	1,768	1,774	7%	8%	0%
Workflow & Solutions	489	330	328	-33%	-33%	-1%
Diagnostics	867	832	900	4%	5%	8%
Total Sectors	**19,958**	**18,037**	**17,049**	**-15%**	**-15%**	**-5%**
Equity Investments						
Cross Sector Businesses						
Siemens IT Solutions and Services	1,081	1,143	959	-11%	-10%	-16%
SFS	191	205	197			
Reconciliations						
CMPA	129	62	108			
SRE	437	434	473			
Corp. Items & Pensions	60	100	114			
Elimn., CT & Other recon.	-992	-1,005	-1,057			
Siemens	**20,864**	**18,976**	**17,844**	**-14%**	**-14%**	**-6%**

*adjusted for currency translation and portfolio effects

Q2 FY10 Key figures – Revenue

Revenue

€m	Q2 2009	Q1 2010	Q2 2010	Y-o-Y Q2 09 - Q2 10	Y-o-Y adj.* Q2 09 - Q2 10	Q-o-Q Q1 10 - Q2 10
Industry Sector	**8,646**	**8,070**	**8,298**	**-4%**	**-4%**	**3%**
Industry Automation	1,380	1,397	1,425	3%	4%	2%
Drive Technologies	1,954	1,510	1,620	-17%	-17%	7%
Building Technologies	1,695	1,560	1,656	-2%	-2%	6%
Osram	971	1,130	1,146	18%	20%	1%
Industry Solutions	1,759	1,437	1,484	-16%	-15%	3%
Mobility	1,542	1,582	1,576	2%	2%	0%
Energy Sector	**6,364**	**5,616**	**6,182**	**-3%**	**-4%**	**10%**
Fossil Power Generation	2,377	2,257	2,447	3%	4%	8%
Renewable Energy	800	480	862	8%	2%	80%
Oil & Gas	1,040	997	981	-6%	-9%	-2%
Power Transmission	1,503	1,319	1,363	-9%	-11%	3%
Power Distribution	846	695	667	-21%	-23%	-4%
Healthcare Sector	**2,984**	**2,831**	**2,968**	**-1%**	**0%**	**5%**
Imaging & IT	1,774	1,695	1,773	0%	1%	5%
Workflow & Solutions	412	368	350	-15%	-16%	-5%
Diagnostics	867	830	901	4%	5%	9%
Total Sectors	**17,994**	**16,517**	**17,448**	**-3%**	**-3%**	**6%**
Equity Investments						
Cross Sector Businesses						
Siemens IT Solutions and Services	1,136	1,029	994	-12%	-11%	-3%
SFS	191	205	198			
Reconciliations						
CMPA	127	62	55			
SRE	437	434	473			
Corp. Items & Pensions	101	103	123			
Elimn., CT & Other recon.	-1,030	-999	-1,066			
Siemens	**18,956**	**17,352**	**18,227**	**-4%**	**-4%**	**5%**

*adjusted for currency translation and portfolio effects

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Q2 FY10 Key figures – Profit and margin

Profit and margin

€m	Q2 2009	Q1 2010	Q2 2010	Margin Q2 2009	Margin Q1 2010	Margin Q2 2010	Target range
Industry Sector	**671**	**911**	**783**	**7.8%**	**11.3%**	**9.4%**	***9-13%***
Industry Automation	105	234	202	7.6%	16.8%	14.2%	*12-17%*
Drive Technologies	244	166	189	12.5%	11.0%	11.7%	*11-16%*
Building Technologies	89	107	108	5.3%	6.9%	6.5%	*7-10%*
Osram	8	152	153	0.8%	13.5%	13.4%	*10-12%*
Industry Solutions	118	81	2	6.7%	5.6%	0.1%	*5-7%*
Mobility	106	165	127	6.9%	10.4%	8.0%	*5-7%*
Energy Sector	**818**	**821**	**863**	**12.9%**	**14.6%**	**14.0%**	***11-15%***
Fossil Power Generation	312	401	347	13.1%	17.8%	14.2%	*11-15%*
Renewable Energy	105	29	107	13.1%	6.1%	12.4%	*12-16%*
Oil & Gas	121	126	127	11.6%	12.6%	13.0%	*10-14%*
Power Transmission	168	170	161	11.2%	12.9%	11.9%	*10-14%*
Power Distribution	106	96	100	12.5%	13.9%	15.0%	*11-15%*
Healthcare Sector	**355**	**523**	**492**	**11.9%**	**18.5%**	**16.6%**	***14-17%***
Imaging & IT	265	357	374	14.9%	21.0%	21.1%	*14-17%*
Workflow & Solutions	30	44	22	7.3%	12.0%	6.4%	*11-14%*
Diagnostics	54	122	116	6.2%	14.7%	12.8%	*16-19%*
Total Sectors	**1,844**	**2,255**	**2,138**	**10.2%**	**13.7%**	**12.3%**	
Equity Investments	-113	76	-87				
Cross Sector Businesses							
Siemens IT Solutions and Services	25	17	-10	2.2%	1.7%	-1.0%	*5-7%*
SFS	117	100	97	39.8%	27.3%	26.4%	*20-23%**
Reconciliations							
CMPA	-96	-15	-25				
SRE	37	60	107				
Corporate Items and Pensions	-451	-288	-156				
Elimn., CT & Other recon.	-28	-11	-32				
Siemens Pre-Tax Profit	**1,335**	**2,194**	**2,032**				
Taxes	-380	-668	-548				
Income from Cont. Operations	**955**	**1,526**	**1,484**				
Income from discontinued operations	58	5	14				
Net Income (All-In)	**1,013**	**1,531**	**1,498**				
Minority interest	51	54	20				
Basic EPS from Cont. Operations	1.05	1.70	1.69				
Basic EPS from Net income (all-in)	1.11	1.70	1.70				

*RoE

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Pension curtailment adding €192m to Siemens Q2 profit

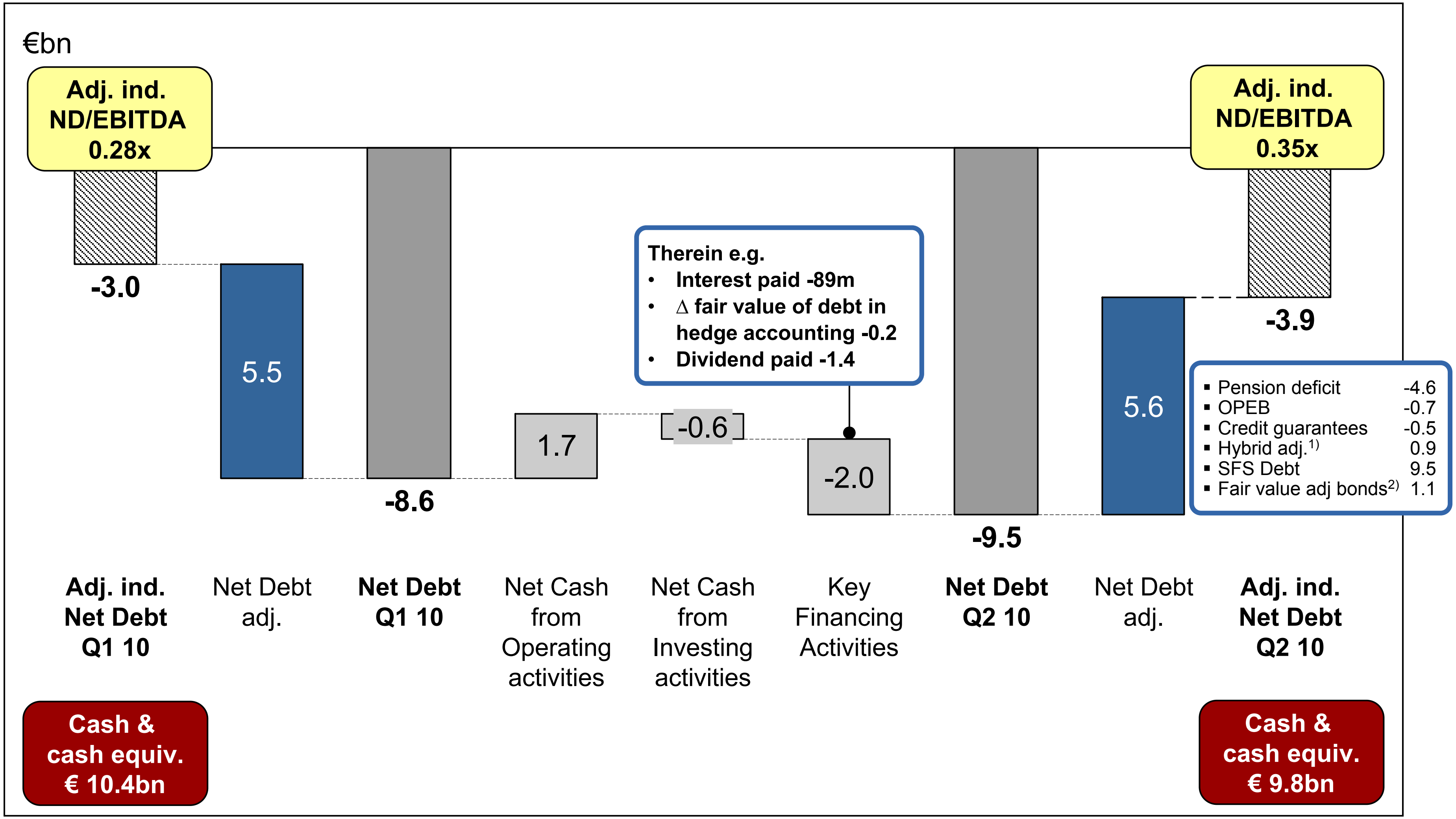
US pension gains

€m	Q2 2010
Industry Sector	**76**
therein	
Industry Automation	7
Drive Technologies	6
Building Technologies	24
Osram	23
Industry Solutions	5
Mobility	11
Energy Sector	**25**
therein	
Fossil Power Generation	16
Renewable Energy	0
Oil & Gas	1
Power Transmission	2
Power Distribution	5
Healthcare Sector	**79**
therein	
Imaging & IT	44
Workflow & Solutions	7
Diagnostics	22
Total Sectors	**180**
Total Siemens	**192**

Comments

- Net periodic benefit cost include a **€192 curtailment gain** resulting from a **freeze of two defined benefit pension plans in the U.S.**
- Employees will keep benefits earned, however, will not earn future benefits under these plans. Instead, employer contributions will be made to existing defined contribution plans.

Q2 FY10 Net debt bridge



1) Approx. 50% nominal amount hybrid bond 2) Hedge accounting

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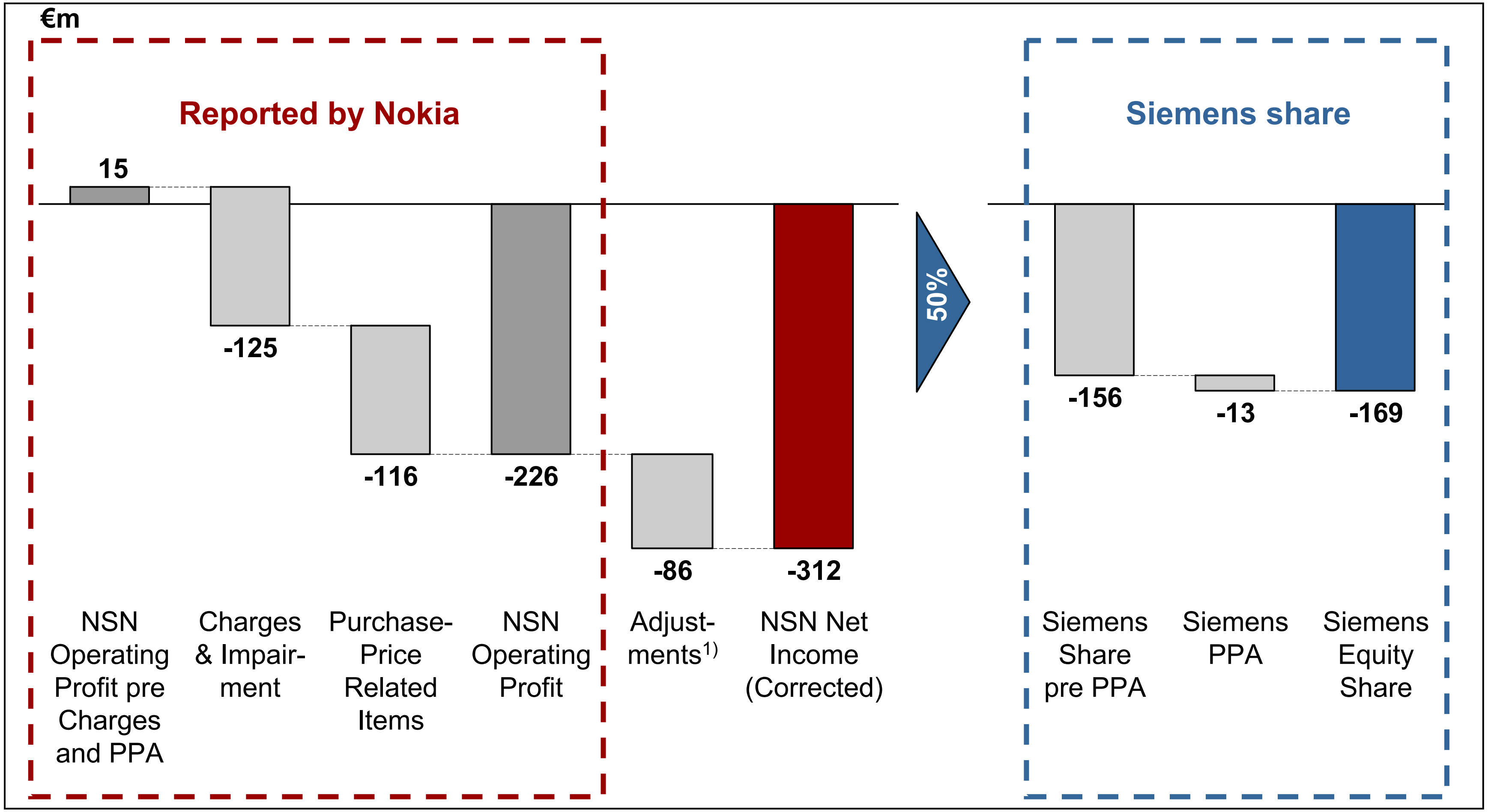
Q2 10 Bridge from NSN Operating Profit to Siemens At Equity Income



1) Nokia / NSN eliminations, NSN financial income/expenses, taxes, reversal of minority shares, differences in accounting, reversal of NSN PPA to Siemens step up (cross-over accounting of PPA)

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Pension underfunding increased by €0.4bn to -€4.6bn

- Plan Assets increased by €0.9bn, mainly resulting from a positive investment return and a supplemental pension funding in the UK
- DBO rose by €1.3bn. This increase is due to
  - accrued regular service and interest cost,
  - changes in the actuarial assumptions (mainly lower discount rate),
  - both in part offset by a positive one-time impact due to a plan design change in the US.

According to 20F, in €bn	FY 09	Q1 FY 10	Q2 FY 10
Defined benefit obligation (DBO) of Principal Pension Benefits	25.1	25.8	27.1
Discount rate	5.3%	5.3%	4.9%
Fair Value of plan assets	21.1	21.6	22.5
Funded status	**(4.0)**	**(4.2)**	**(4.6)**
Additional employer contributions (YTD / QTD)	0.0	0.0	0.0
Regular employer contributions (YTD / QTD)	0.4	0.2	0.2
DBO of Principal Other Post-Employment Benefits[1)]	**0.65**	**0.66**	**0.69**
Actual return on plan assets (YTD / QTD)	1.9	0.3	0.9
Asset allocation of pension assets			
▪ Equities	27%	29%	29%
▪ Fixed income	61%	60%	61%
▪ Real estate	9%	8%	7%
▪ Cash	3%	3%	3%

1) Mainly unfunded

SFS Key Figures Q2 FY 10

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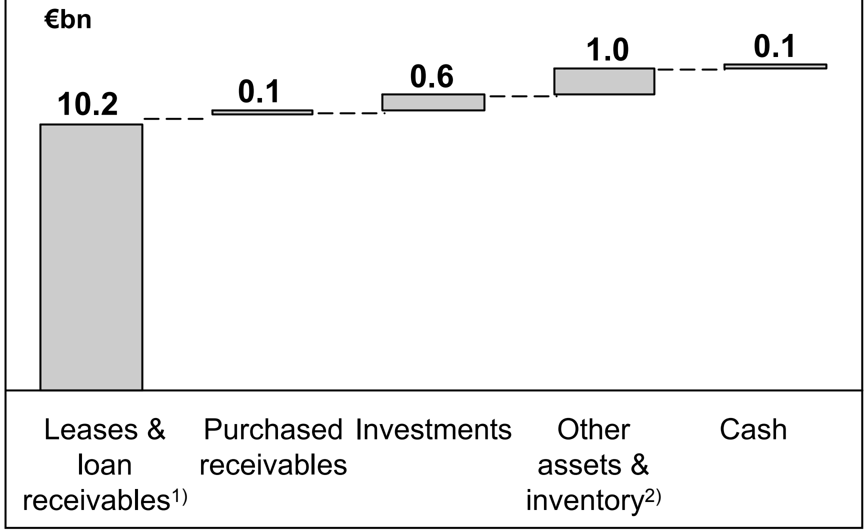
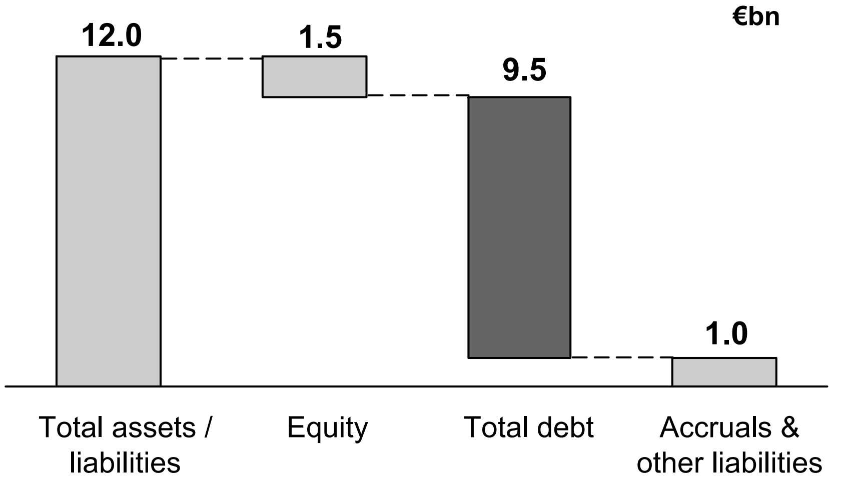
Key Financial Data SFS

- Assets: € 12.0 bn
- Profit before Tax: € 97 m
- Return on Equity: 26.4%
- Net Cash from Operations: € (113) m
- Employees: 2,045

Assets



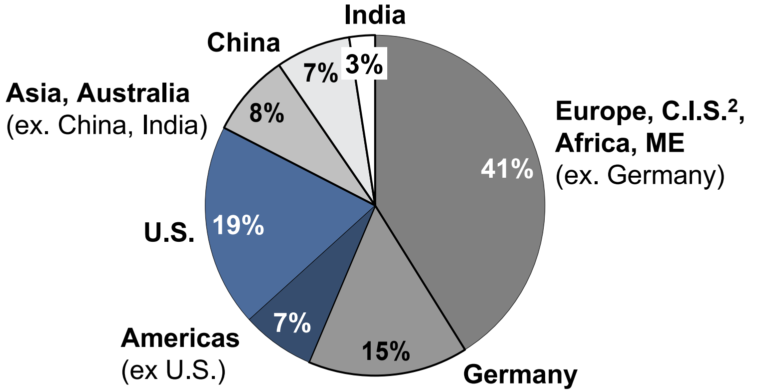
Liabilities



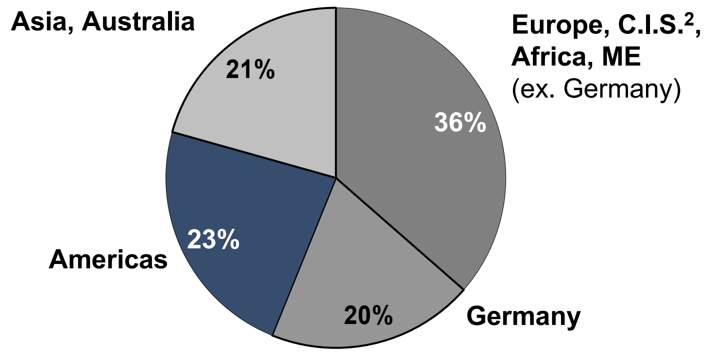
1) Operating and finance leases, originated and purchased loans and asset-based lending loans
2) Other assets & inventory includes: Intercompany receivables, securities, fair values (positive) derivatives / FX, tax receivables, fixed assets, intangible assets, land and building, prepaid expenses and inventories.

External revenue[1)] by regions for H1 FY 2010

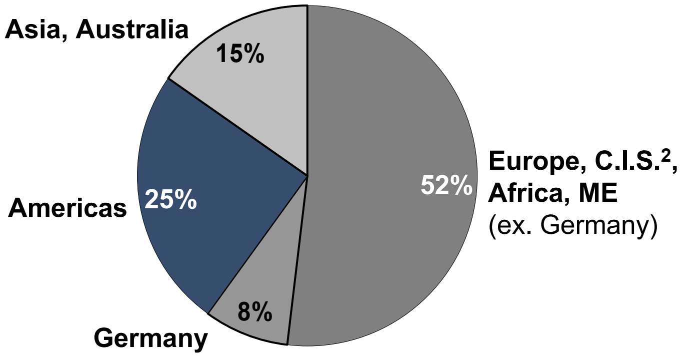
Siemens revenue (€35.6bn)



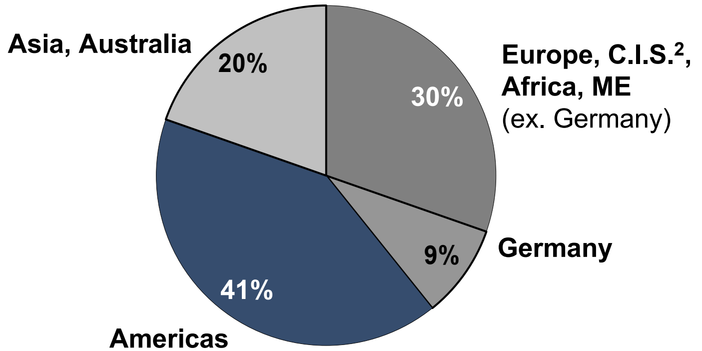
Industry revenue (€15.8bn)



Energy revenue (€11.6bn)



Healthcare revenue (€5.8bn)



1) External revenue by location of customer 2) Commonwealth of Independent States

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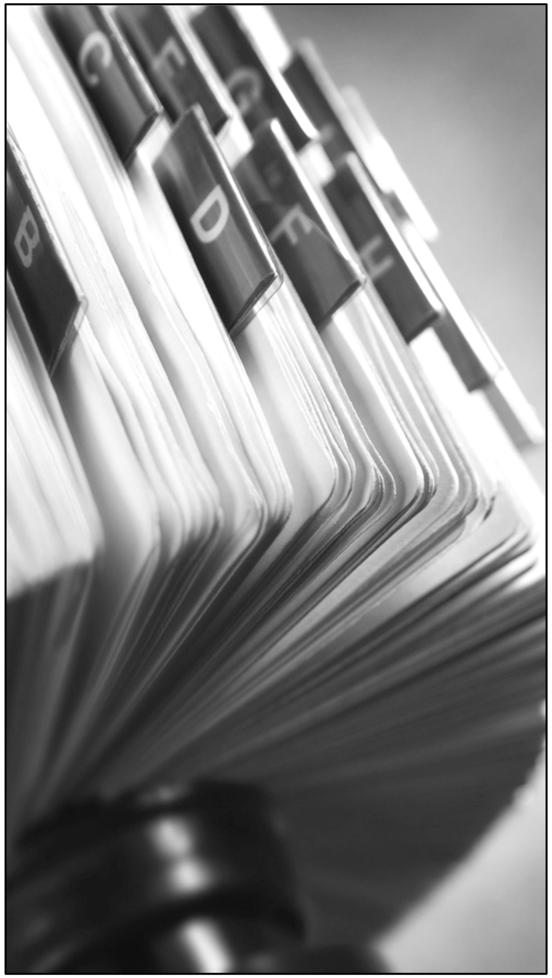

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Reconciliation and Definitions for Non-GAAP Measures (I)

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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;
- Return on equity, or ROE;
- Return on capital employed, or ROCE;
- Free cash flow and cash conversion rate, or CCR;
- EBITDA (adjusted) and EBIT (adjusted);
- Earnings effect from purchase price allocation (PPA effects) and integration costs
- 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 (SEC). They 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 Usefulness of Non-GAAP Financial Measures." Accordingly, they should not be viewed in isolation 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 Consolidated Financial Statements at any given time (the "Annual Financial Statements") can be found in the most recent Annual Report of Siemens (the "Annual Report"), which can be accessed at www.siemens.com/annual-report. Siemens' most recent interim Consolidated Financial Statements (the "Interim Financial Statements") at any given time can be found at www.siemens.com/investors under the heading "Publications" – "Financial Publications" – "Financial Statements" or in the most recent Quarterly Report of Siemens (the "Quarterly Reports"), which can be accessed at www.siemens.com/quarterly-reports.

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 generation and optimization of Siemens' capital structure and therefore are 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 binding" based on a number of different criteria. In general, if a contract is considered legally effective and binding, 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 is 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).

Reconciliation and Definitions for Non-GAAP Measures (II)

SIEMENS

New orders and order backlog (continued)

New orders are generally recognized immediately when the relevant contract becomes legally effective and binding. The only exception 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.

Order backlog represents 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 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 do not retroactively adjust previously published new order totals. However, if an order from a previous fiscal year is cancelled, new orders of the current quarter and accordingly the current fiscal year are generally not adjusted, instead, if the adjustment exceeds a certain threshold, 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, its new orders and order backlog may not be comparable with new orders and order backlog reported by other companies. Siemens does subject 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

In its financial reports, Siemens presents, on a worldwide basis and for each Sector and Cross-Sector Business, 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 rates of growth. The IFRS financial measure most directly comparable to adjusted or organic growth rate of Revenue is the unadjusted growth rate calculated based on the actual Revenue figures presented in the Consolidated Income Statement. There is no comparable IFRS financial measure for the adjusted or organic growth rate of new orders because, as discussed above, new orders is not an IFRS financial measure.

Siemens presents its Consolidated Financial Statements in Euros; however, a significant proportion of its operations takes place in a functional currency other than the Euro, particularly the U.S. dollar and the British pound. 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 Divisions are significantly affected due to the large proportion of international operations, particularly in the U.S.

All Sectors and Divisions as well as Cross-Sector Businesses are subject to foreign currency translation effects; however, some Divisions are particularly affected since they generate a significant portion of their operations through subsidiaries whose results are subject to foreign currency translation effects. The effect of acquisitions and dispositions on Siemens' consolidated revenues and expenses affects the comparability of the Consolidated Financial Statements between different periods.

The adjusted or organic growth rates of Revenue and new orders 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. Adjusted growth rates of Revenue and new orders are always calculated for a period of twelve months.

Siemens is making portfolio adjustments for certain transactions, including the carve-outs of Siemens Home and Office Communication Devices GmbH & Co. KG and the Wireless Modules business, as well as for other minor transactions in the Sectors, Cross-Sector Businesses and Centrally managed portfolio activities. For further information regarding major acquisitions and dispositions, see "Notes to Consolidated Financial Statements."

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 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 amount of products and services shipped and billed. 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)

SIEMENS

Return on equity, or ROE
In line with common practice in the financial services industry, Siemens Financial Services (SFS) uses return on equity, or ROE, as one of its key profitability measures. Siemens defines ROE as annualized Income before income taxes of SFS divided by the average allocated equity for SFS. The allocated equity for SFS is determined and influenced by the size and quality of its portfolio of commercial finance assets (primarily leases) 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 in banking. The actual risk portfolio of the SFS portfolio is evaluated and controlled monthly and is reflected in the quarterly (commercial finance) and annual (equity investments) adjustments of allocated equity.
Return on equity is reported only for the SFS segment. Siemens believes that the presentation of ROE and average allocated equity provides useful information to investors because management uses ROE as a supplement to Siemens' Consolidated Financial Statements in evaluating the business performance of SFS, and therefore the measure assists investors in assessing Siemens' overall performance.

Return on capital employed, or ROCE
Return on capital employed, or ROCE, is Siemens' measure of capital efficiency. Siemens 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. The different methods of calculation are detailed below. Siemens believes that the presentation of ROCE and the various non-GAAP financial measures involved in its calculation provides useful information to investors because ROCE can be used to determine whether capital invested in the Company and the Sectors yields competitive returns. In addition, achievement of predetermined targets relating to ROCE is one of the factors Siemens takes into account in determining the amount of performance-based or variable compensation received by its management.

ROCE at the Siemens group level
Siemens defines group ROCE as net income (before interest) divided by average capital employed, or CE.
Net income (before interest), the numerator in the ROCE calculation, is defined as Net income excluding Other interest income (expense), net and taxes thereon. Taxes on Other interest (expense), net are calculated in a simplified form by applying the current tax rate, which can be derived from the Consolidated Statements of Income, to Other interest income (expense), net.
Capital employed, or CE, the denominator in the ROCE calculation, is defined as Total equity plus Long-term debt plus Short-term debt and current maturities of long-term debt minus Cash and cash equivalents. Each of the components of capital employed appears on the face of the Consolidated Balance Sheet.

ROCE at the Siemens group level, on a continuing operations basis
Siemens also presents group ROCE on a continuing operations basis. For this purpose, the numerator is Income from continuing operations and the denominator is CE, less Assets classified as held for disposal presented as discontinued operations, net of Liabilities associated with assets held for disposal presented as discontinued operations.

ROCE at the Sector level
For the Sectors, ROCE is defined as Profit divided by average Assets. Profit for each Sector is defined as earnings before financing interest, certain pension costs and income taxes; certain items not considered performance-indicative by management may be excluded. Assets for each Sector are defined as Total assets less intragroup financing receivables and investments, less income tax assets, less non-interest-bearing liabilities/provisions other than tax liabilities.

Free cash flow and cash conversion rate
Siemens defines Free cash flow 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 Free cash flow is Net cash provided by (used in) operating activities.
Siemens believes that the presentation of Free cash flow 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 Free cash flow 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, Free cash flow 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 Free cash flow generation is one of the factors Siemens takes into account in determining the amount of performance-based or variable compensation received by its management, both at the level of the worldwide Siemens group and at the level of individual reportable segments.
Cash conversion rate, or CCR, is defined as Free cash flow 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 to Free cash flow. CCR is reported on a regular basis to Siemens' management.

Reconciliation and Definitions for Non-GAAP Measures (IV)

SIEMENS

EBITDA (adjusted) and EBIT (adjusted)

Siemens defines EBITDA (adjusted) as EBIT (adjusted) before amortization (which in turn is defined as Amortization and impairments of intangible assets other than goodwill) and Depreciation and impairment of property, plant and equipment and goodwill. Siemens defines EBIT (adjusted) as Income from continuing operations before income taxes less Financial income (expense), net and Income (loss) from investments accounted for using the equity method, net. Each of the components of EBIT (adjusted) appears on the face of the Consolidated Financial Statements, and each of the additional components of EBITDA (adjusted) appears in the Consolidated Financial Statements or the MD&A thereto, which may be found in the relevant annual or quarterly report filed with the SEC. The IFRS financial measure most directly comparable to EBIT (adjusted) and EBITDA (adjusted) is Income from continuing operations before income taxes. For a reconciliation of Income from continuing operations before income taxes to Net income, see the Consolidated Statements of Income in the Annual Reports and Quarterly Reports.

Siemens believes that the presentation of EBITDA (adjusted) and EBIT (adjusted) as a cash earnings measure provides useful information to investors. Therefore EBITDA (adjusted) and EBIT (adjusted) are also broadly used by analysts, rating agencies and investors to assess the performance of a company.

Earnings effect from purchase price allocation (PPA effects) and integration costs

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 a PPA effect. Integration costs are internal or external costs that arise after the signing of an acquisition in connection with the integration of the acquired business, e.g. costs in connection with the adoption of Siemens' guidelines and policies. Siemens believes that the presentation of PPA effects and integration costs effects provides useful information to investors as it allows investors to consider earnings impacts related to business combination accounting and integration 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 Balance Sheets. The IFRS financial measure most directly comparable to net debt is total 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

Siemens defines adjusted industrial net debt as net debt less (1) SFS debt excluding SFS internally purchased receivables; less (2) 50% of the nominal amount of our hybrid bond; plus (3) the funded status of pension plans; plus (4) the funded status of other post-employment benefits; plus (5) credit guarantees; and (6) fair value hedge accounting adjustments. The fair value hedge accounting adjustment has been included in fiscal 2009 in our definition of adjusted industrial net debt. The fair value hedge accounting adjustment generally reflects risks being hedged. We believe that deducting the fair value hedge accounting adjustment from net debt in addition to the adjustments presented above provides investors more meaningful information to our scheduled debt service obligations. Further information concerning adjusted industrial net debt can be found in the Annual Report under the heading "Management's discussion and analysis – Liquidity and capital resources – Capital structure."

Siemens manages adjusted industrial net debt as one component of its capital. As part of our "Fit42010" program, we decided to optimize our capital structure. A key consideration is to maintain ready access to capital markets through various debt products and to preserve our ability to repay and service our debt obligations over time. Siemens therefore has set a capital structure goal that is measured by adjusted industrial net debt divided by Earnings before interest taxes depreciation and amortization (EBITDA) as adjusted. Adjusted EBITDA is calculated as earnings before income taxes (EBIT) (adjusted) before amortization (defined as amortization and impairments of intangible assets other than goodwill) and depreciation and impairments of property, plant and equipment and goodwill. Adjusted EBIT is Income from continuing operations before income taxes less Financial income (expense), net and Income (loss) from investments accounted for using the equity method, net.

Siemens believes that using the ratio of "adjusted industrial net debt" to "EBITDA (adjusted)" as a measure of its capital structure provides useful information to investors because management uses it to manage our debt-equity ratio while ensuring both unrestricted 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 (V)

SIEMENS

Limitations Associated with Siemens' Supplemental Financial Measures

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

- 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 return on equity, or ROE: This measure is not adjusted for special items, such as the disposition of equity investments (allocated to SFS) or impairments, and therefore it has been volatile over prior year periods. In addition, 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 return on capital employed, or ROCE: 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 Free cash flow and cash conversion rate: Free cash flow 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 cash conversion rate 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.
- With respect to EBITDA (adjusted) and EBIT (adjusted): EBITDA (adjusted) excludes non-cash items such as depreciation, amortization and impairment, 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 EBITDA (adjusted) nor EBIT (adjusted) reflect the impact of financial income and taxes, which are significant cash expenses that may reduce the amount of cash available for distribution to shareholders or reinvestment in the business.
- With respect to earnings effects from purchase price allocation (PPA effects) and integration costs: The fact that the profit margin is adjusted for these effects 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 adjusted industrial net debt to EBITDA (adjusted): 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 EBITDA (adjusted) is inherently limited by the fact that it is a ratio.

Compensation for Limitations Associated with Siemens' Supplemental Financial Measure

Siemens provides a quantitative reconciliation of each supplemental financial measure to the most directly comparable IFRS financial measure below, in the Notes to Consolidated Financial Statements or in the Annual Reports and Quarterly Reports under the heading "Management's discussion and analysis," and Siemens encourages investors to review those reconciliations carefully.

