Siemens Q1 FY 11

IR Flashlight

The Analyst Conference Call is being held
on January 25th, at 8.45 a.m. CET / 7.45 a.m. GMT, and will be webcast on
www.siemens.com/investorrelations

The Press Conference is taking place in Munich
on January 25th, at 7.45 a.m. CET / 6.45 a.m. GMT, and will be webcast on
www.siemens.com/press

Safe Harbour Statement

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

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; cash conversion rate, or CCR; adjusted EBITDA; adjusted EBIT; adjusted EBITDA margins 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. 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, 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.

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Financial highlights of Q1 FY 11

- **Order increase +13%**[1)] based on growth in all Sectors: **Industry (+16%), Energy (+19%)**, and **Healthcare (+2%)** driven by large orders in Fossil and Mobility as well as Emerging Markets
- **Revenue growth (+6%)** across all Sectors: **Industry (+7%)**, **Energy (+7%), Healthcare (+3%)**
- B-t-b at ~1.2x; Excellent **Sectors backlog of €92bn**
- **Total Sectors profit rose to €2.2bn (12.0% margin)** impacted by €261m from allocation of special employee remuneration[2)] (1.4% negative margin impact)
  - **Industry:** Strong **profit** margin of **11.2%** supported by short-cycle growth environment and stringent project execution (12.8% margin excl. €149m special bonus[2)])
  - **Energy:** Excellent **profit** margin of **13.0%** driven by **Fossil (19.3%)** (14.0% margin excl. €69m special bonus[2])
  - **Healthcare: Profit** margin of **12.2%** impacted by **€32m** charges for **particle therapy** and **€19m reserve** related to customer loan & receivables in **audiology** (13.5% margin excl. €43m special bonus[2)])
- **Corporate items benefited** from **allocation** of a substantial part of **€310m special bonus**[2)] partly offset by **€75m costs related to SIS carve out**
- **SIS goodwill impairment of €136m**
- **Income from cont. ops.** increased to **€1.8bn (+17%)** leading to **EPS of €2.00 (+18%)**
- **ROCE** at **23.0%** driven by higher profitability and significant net debt reduction

1) All figures y-o-y on a comparable basis excluding currency translation and portfolio effects
2) Special employee remuneration = special bonus

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Key items relating to Q1 FY11 (I)

Industry

- **Industry Automation**
  - Margin: 20.2%
  - Incl. PPA[1)] €(35)m related to UGS and €(27)m special bonus
  - Underlying margin: 23.6% excl. PPA, special bonus
  - *Q1 10: PPA[1)] €(32)m, underlying margin 18.3% excl. PPA*
- **Drive Technologies**
  - Margin: 12.5%
  - Incl. PPA €(8)m related to Flender and €(26)m special bonus
  - Underlying margin: 14.4% excl. PPA, special bonus
  - *Q1 10: PPA €(9)m, underlying margin 10.7% excl. PPA*
- **Building Technologies**
  - Margin: 6.6%
  - Incl. €(32)m special bonus
  - Underlying margin: 8.4% excl. special bonus
- **Osram**
  - Margin: 11.0%
  - Incl. €(22)m special bonus
  - Underlying margin: 12.7% excl. special bonus
- **Industry Solutions**
  - Margin: 3.5%
  - Incl. €(22)m special bonus
  - Underlying margin: 5.1% excl. special bonus
- **Mobility**
  - Margin: 7.1%
  - Incl. €(21)m special bonus
  - Underlying margin: 8.4% excl. special bonus
  - *Q1 10: €45m disposal gain ADB (airfield lighting business), underlying margin 6.8% excl. disposal gain*

Energy

- **Fossil Power Generation**
  - Margin: 19.3%
  - Incl. €(26)m special bonus
  - Underlying margin: 20.3% excl. special bonus
- **Renewable Energy**
  - Margin: 4.2%
  - Incl. €(5)m special bonus
  - Underlying margin: 4.7% excl. special bonus
  - R&D, marketing and selling expenses associated with expansion of wind business and integration of solar thermal is expected to hold back profitability in coming quarters
- **Oil & Gas**
  - Margin: 10.2%
  - Incl. €(14)m special bonus
  - Underlying margin: 11.4% excl. special bonus
- **Power Transmission**
  - Margin: 9.4%
  - Incl. €(13)m special bonus
  - Underlying margin: 10.3% excl. special bonus
  - Expecting negative impacts on profit in coming quarters related to optimizing its global footprint
- **Power Distribution**
  - Margin: 10.0%
  - Incl. €(10)m special bonus
  - Underlying margin: 11.3% excl. special bonus

1) PPA = purchase price allocation

Key items relating to Q1 FY11 (II)

Healthcare

- **Sector level**
  - Margin: 12.2%
  - Incl. PPA[1] €(44)m, €(32)m charges for particle therapy contracts (PT), €(19)m reserve related to a customer loan and receivables in audiology, and €(43) special bonus
  - Underlying margin: 16.6% excl. PPA, PT charges, reserve, special bonus
  - *Q1 10: PPA €(41)m, OTC €(10)m, underlying margin 19.4%, excl. PPA, OTC*
- **Diagnostics**
  - Margin: 8.5%
  - Incl. PPA[1] €(44)m and €(13) special bonus
  - Underlying margin: 14.7% excl. PPA, special bonus
  - *Q1 10: PPA €(41)m, OTC €(10)m, underlying margin 20.0%, excl. PPA, OTC*

Equity Investments

- **Equity Investments**
  - Equity Investments profit: €85m

    NSN:
    - Q1 11: equity investment income €18m, incl. €(29)m restructuring charges and integration costs at NSN
    - *Q1 10: equity investment loss €(42), incl. €(90)m restructuring charges and integration costs at NSN*
  - Results are expected to be volatile in coming quarters
  - *Q1 10: Equity investments profit of €76m*

Cross-Sector Businesses, CMPA, SRE

- **Siemens IT Solutions and Services**
  - Margin: -13.4%, incl. €(136)m goodwill impairment
  - Underlying margin: 0.7% excl. goodwill impairment
- **SFS**
  - ROE (after tax): 22.6%
  - Total assets: €12.6bn
- **Centrally managed portfolio activities (CMPA):**
  - Loss of €(2)m; electronics assembly systems (EA) contributed a net positive result of €6m
  - *Q1 10: loss €(15)m*
- **Siemens Real Estate (SRE):**
  - Income of €97m
  - SRE expects to continue real estate disposals in coming quarters depending on market conditions
  - *Q1 10: income €60m*

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

Key items relating to Q1 FY11 (III)

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Corporate Items & Pensions

- **Corporate Items & Pensions: income €231m**

  Corporate items: €202m

  – Benefited from allocation primarily to the Sectors of a substantial part of the €310m special employee remuneration accrued in Q4 FY 10

  – Incl. €(75)m costs related to establishing Siemens IT Solutions and Services as separate legal entity

  – *Q1 10: €(82)m incl. expenses associated with streamlining IT costs for Siemens as a whole*

  Pensions: €29m

  – *Q1 10: €(60)m*

Divestment of SIS

- Siemens expects the transaction and related activities to result in substantial negative earnings impacts in the first half of fiscal 2011, within a mid- to high-triple-digit million range
- Following the signing expected in Q2 FY 11, assessment whether to present Siemens IT Solutions and Services as an asset held for disposal and as discontinued operations

Special Bonus Expense for Sectors Q1 FY 11

Negative profit impact

€m	Q1 FY 11
Industry Sector	**149**
therein	
Industry Automation	27
Drive Technologies	26
Building Technologies	32
Osram	22
Industry Solutions	22
Mobility	21
Energy Sector	**69**
therein	
Fossil Power Generation	26
Renewable Energy	5
Oil & Gas	14
Power Transmission	13
Power Distribution	10
Healthcare Sector	**43**
therein	
Diagnostics	13
Total Sectors	**261**

Orders

Orders

€m	Q1 FY10	Q4 FY10	Q1 FY11	Y-o-Y Q1 FY10 - Q1 FY11	Y-o-Y adj.* Q1 FY10 - Q1 FY11	Q-o-Q Q4 FY10 - Q1 FY11
Industry Sector	**8,249**	**9,832**	**10,083**	**22%**	**16%**	**3%**
Industry Automation	1,406	1,723	1,856	32%	24%	8%
Drive Technologies	1,575	1,735	2,454	56%	48%	41%
Building Technologies	1,611	2,021	1,833	14%	7%	-9%
Osram	1,130	1,252	1,284	14%	8%	3%
Industry Solutions	1,233	2,056	1,286	4%	0%	-37%
Mobility	1,887	1,621	2,335	24%	19%	44%
Energy Sector	**6,918**	**9,061**	**8,759**	**27%**	**19%**	**-3%**
Fossil Power Generation	2,040	3,533	3,916	92%	83%	11%
Renewable Energy	1,576	1,454	945	-40%	-45%	-35%
Oil & Gas	1,030	1,466	1,394	35%	25%	-5%
Power Transmission	1,712	1,848	1,957	14%	8%	6%
Power Distribution	727	959	802	10%	3%	-16%
Healthcare Sector	**2,869**	**3,798**	**3,168**	**10%**	**2%**	**-17%**
Therein						
Diagnostics	832	968	926	11%	2%	-4%
Total Sectors	**18,037**	**22,690**	**22,010**	**22%**	**15%**	**-3%**
Equity Investments						
Cross Sector Businesses						
Siemens IT Solutions and Services	1,143	1,130	824	-28%	-22%	-27%
SFS	205	190	224			
Reconciliations						
CMPA	62	108	164			
SRE	434	533	516			
Corp. Items & Pensions	100	100	100			
Elimn., CT & Other recon.	-1,005	-1,279	-1,250			
Siemens	**18,976**	**23,473**	**22,588**	**19%**	**13%**	**-4%**

*adjusted for currency translation and portfolio effects

Revenue

Revenue

€m	Q1 FY10	Q4 FY10	Q1 FY11	Y-o-Y Q1 FY10 - Q1 FY11	Y-o-Y adj.* Q1 FY10 - Q1 FY11	Q-o-Q Q4 FY10 - Q1 FY11
Industry Sector	**8,070**	**9,780**	**9,114**	**13%**	**7%**	**-7%**
Industry Automation	1,397	1,816	1,803	29%	20%	-1%
Drive Technologies	1,510	2,014	1,827	21%	15%	-9%
Building Technologies	1,560	1,949	1,779	14%	7%	-9%
Osram	1,130	1,252	1,284	14%	8%	3%
Industry Solutions	1,437	1,659	1,364	-5%	-8%	-18%
Mobility	1,582	1,756	1,634	3%	-1%	-7%
Energy Sector	**5,616**	**7,260**	**6,378**	**14%**	**7%**	**-12%**
Fossil Power Generation	2,257	2,499	2,454	9%	4%	-2%
Renewable Energy	480	977	868	81%	74%	-11%
Oil & Gas	997	1,180	1,066	7%	0%	-10%
Power Transmission	1,319	1,879	1,428	8%	1%	-24%
Power Distribution	695	943	758	9%	2%	-20%
Healthcare Sector	**2,831**	**3,413**	**3,135**	**11%**	**3%**	**-8%**
Therein						
Diagnostics	830	978	916	10%	1%	-6%
Total Sectors	**16,517**	**20,454**	**18,627**	**13%**	**6%**	**-9%**
Equity Investments						
Cross Sector Businesses						
Siemens IT Solutions and Services	1,029	1,087	958	-7%	-7%	-12%
SFS	205	190	224			
Reconciliations						
CMPA	62	122	173			
SRE	434	534	518			
Corp. Items & Pensions	103	127	88			
Elimn., CT & Other recon.	-999	-1,284	-1,100			
Siemens	**17,352**	**21,229**	**19,489**	**12%**	**6%**	**-8%**

*adjusted for currency translation and portfolio effects

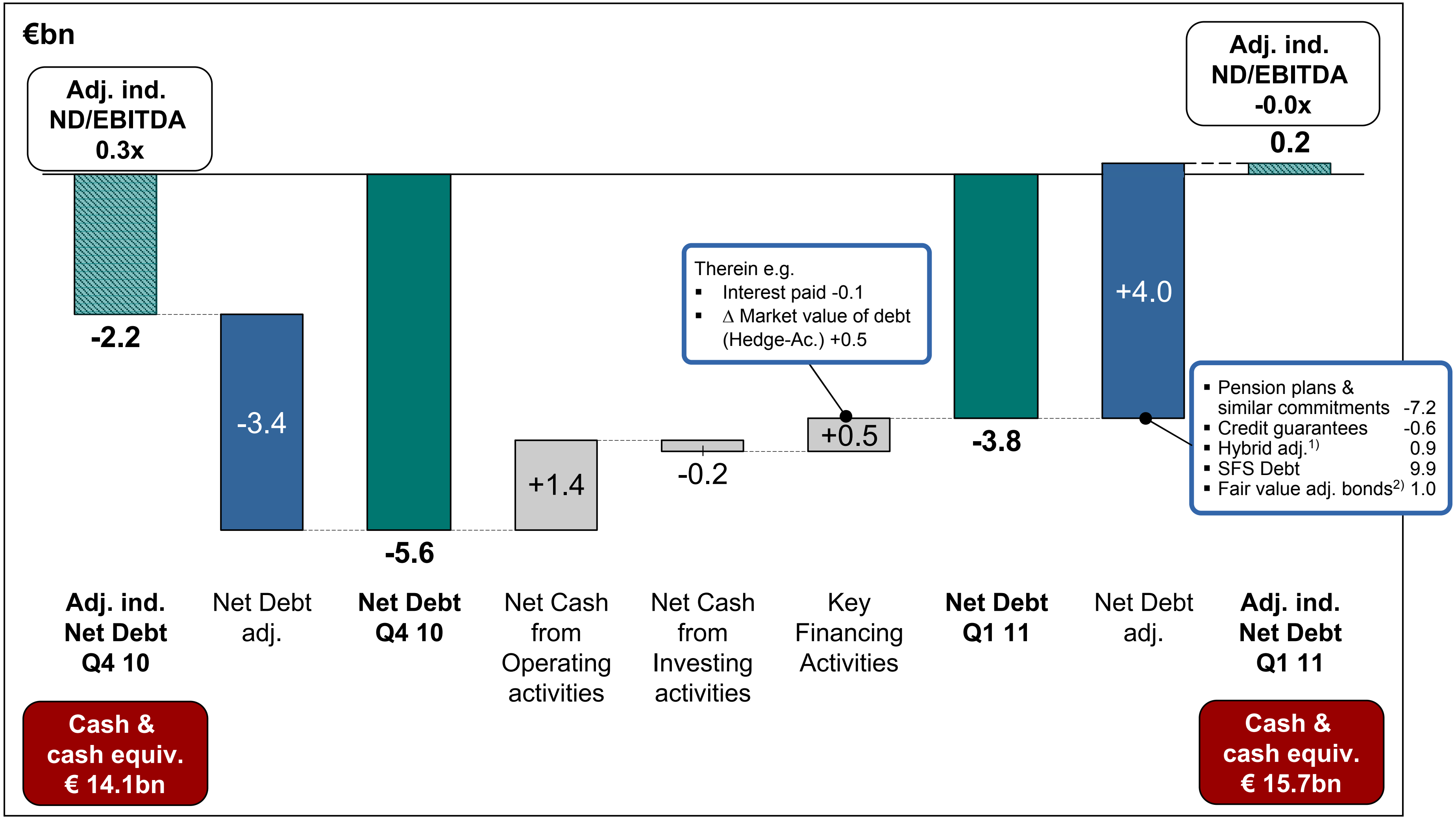
Profit and margin

Profit and margin

€m	Q1 FY10	Q4 FY10	Q1 FY11	Margin* Q1 FY10	Margin* Q4 FY10	Margin* Q1 FY11	EBITDA Margin Q1 FY11
Industry Sector	**840**	**812**	**1,022**	**10.4%**	**8.3%**	**11.2%**	**13.9%**
Industry Automation	223	323	363	16.0%	17.8%	20.2%	
Drive Technologies	153	268	229	10.1%	13.3%	12.5%	
Building Technologies	93	134	117	6.0%	6.9%	6.6%	
Osram	143	128	141	12.7%	10.2%	11.0%	
Industry Solutions	68	-131	48	4.8%	-7.9%	3.5%	
Mobility	152	102	116	9.6%	5.8%	7.1%	
Energy Sector	**771**	**903**	**826**	**13.7%**	**12.4%**	**13.0%**	**14.7%**
Fossil Power Generation	383	371	473	17.0%	14.8%	19.3%	
Renewable Energy	23	97	36	4.8%	9.9%	4.2%	
Oil & Gas	118	118	108	11.8%	10.0%	10.2%	
Power Transmission	158	214	134	12.0%	11.4%	9.4%	
Power Distribution	91	118	76	13.0%	12.5%	10.0%	
Healthcare Sector	**499**	**-796**	**381**	**17.6%**	**-23.3%**	**12.2%**	**17.3%**
Therein Diagnostics	115	-1,142	78	13.8%	-116.8%	8.5%	
Total Sectors	**2,109**	**919**	**2,229**	**12.8%**	**4.5%**	**12.0%**	
Equity Investments	76	-181	85				
Cross Sector Businesses							
Siemens IT Solutions and Services	17	-463	-129	1.7%	-42.6%	-13.4%	
SFS	99	136	102	22.6%	31.6%	22.6%	
Reconciliations							
CMPA	-15	-83	-2				
SRE	60	-25	97				
Corporate Items and Pensions	-142	-623	231				
Elimn., CT & Other recon.	-11	-158	-32				
Siemens Pre-Tax Profit	**2,194**	**-479**	**2,582**				
Taxes	-668	140	-795				
Income from Cont. Operations	**1,526**	**-339**	**1,787**				
Income from discontinued operations	5	-57	-34				
Net Income (All-In)	**1,531**	**-396**	**1,753**				
Minority interest	54	71	35				
Basic EPS from Cont. Operations	1.70	-0.47	2.00				
Basic EPS from Net income (all-in)	1.70	-0.54	1.97				

*SFS ->RoE after tax

Reduced net debt due to strong cash flow generation



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

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Pension underfunding decreased by €1.3bn to -€6.1bn in Q1

- **DBO decreased by €1.6bn** mainly due to
  - Increase in the discount rate assumption
  - accrued service and interest costs
- **Plan Assets decreased by €0.3bn** mainly due to a negative return on plan assets

* **Please note:** Beginning with fiscal 2011 the figures presented below cover both principal and non-principal pension plans. The presentation of prior-year information has been adjusted to conform to the current-year presentation.

in €bn	FY 10 as reported	FY 10 adjusted*	Q1 FY 11 adjusted*
Defined benefit obligation (DBO) of Pension Benefits	29.7	31.5	29.9
Discount rate	4.2%	4.2%	4.8%
Fair Value of plan assets	23.3	24.1	23.8
Funded status of Pension Benefits	**(6.4)**	**(7.4)**	**(6.1)**
DBO of Other Post-Employment Benefits (mainly unfunded)	**0.7**	**0.8**	**0.8**
Actual return on plan assets	2.3	n.a.	(0.4)
Asset allocation of pension assets			
▪ Equities	27%	n.a.	31%
▪ Fixed income	62%	n.a.	58%
▪ Real estate	7%	n.a.	7%
▪ Cash	4%	n.a.	4%

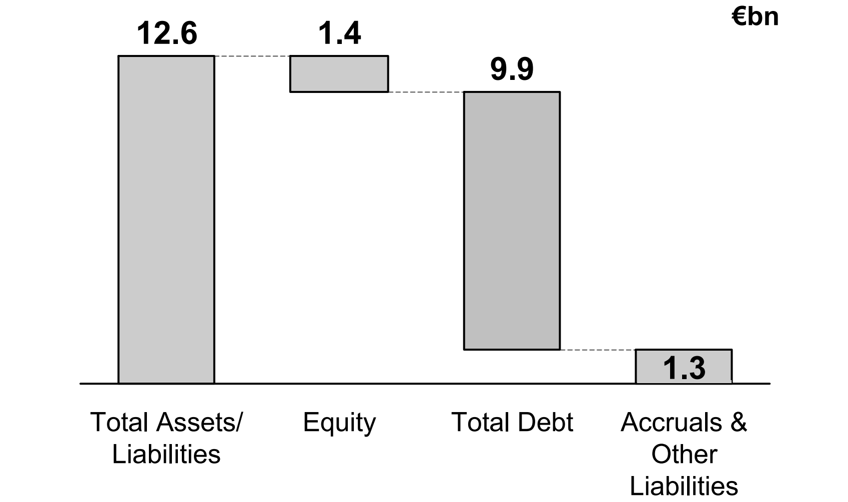
SFS Key Figures Q1 FY 11

Key Financial Data SFS

- Assets: € 12.6 bn
- Profit before Tax: € 102 m
- Return on Equity after tax: 22.6%
- Net Cash from Operations: € 240 m

Assets

Liabilities



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

Outlook 2011

- With continuing improvement in Siemens' markets, we expect organic order intake to show a clear increase compared to fiscal 2010
- Supported also by our already strong order backlog, we expect revenue to return to moderate organic growth
- We anticipate income from continuing operations to exceed reported fiscal 2010 results by at least 25% to 35%

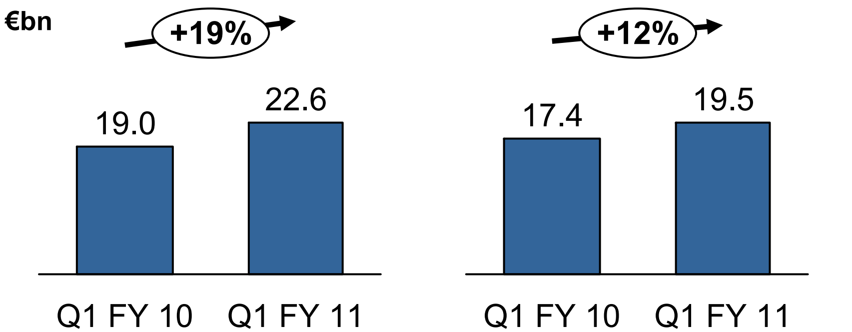
This outlook excludes effects that may arise from legal and regulatory matters

One Siemens cockpit shows good progress

Financial target system

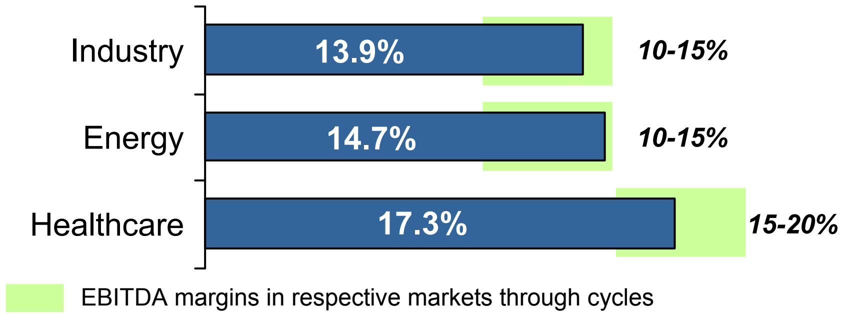
Growth (nominal) [1)]

New orders | Revenue



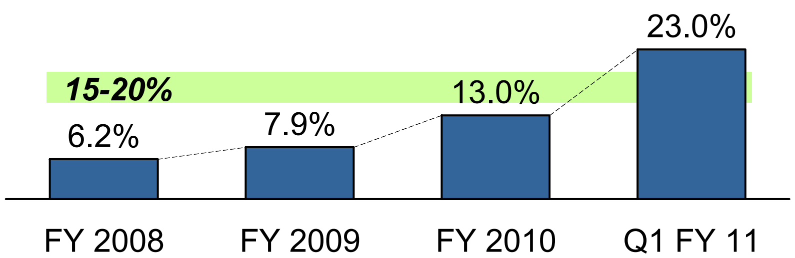
Margins compared to industry benchmarks

EBITDA Margins (Q1 FY 11)



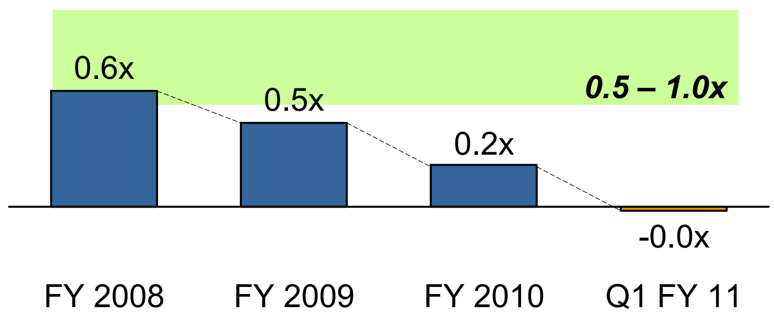
Capital efficiency

ROCE adjusted (continuing operations)[2)]



Capital Structure

Adjusted industrial net debt / EBITDA



1) One Siemens growth target based on the comparison with most relevant Siemens competitors will be disclosed at Q2 and Q4
2) According to new definition: adjusted primarily for SFS debt, total liabilities of pension plans and similar commitments, hedge accounting of bonds

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;
- Total Sectors Profit;
- Return on equity (after tax), or ROE (after tax);
- Return on capital employed (adjusted), or ROCE (adjusted);
- Free cash flow and cash conversion rate, or CCR;
- Adjusted EBITDA, adjusted EBIT and adjusted EBITDA margins;
- 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 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 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 interim Consolidated Financial Statements (the "Interim Financial Statements") at any given time can be found in the most recent Interim Report on Form 6-K furnished with 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 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).

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

SIEMENS

New orders and order backlog (continued)
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.

Adjusted or organic growth rates of Revenue and new orders
Siemens presents, on a worldwide basis and for Sectors, Divisions and Cross-Sector Businesses, 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.
Siemens presents its Consolidated Financial Statements in Euros; however, a significant proportion of the operations of its Sectors, Divisions and Cross-Sector Businesses 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 Divisions 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 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 carve-in and carve-out 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 and reclassifications 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" in the Annual Report or Interim Report.
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 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.

Total Sectors Profit
Siemens uses Total Sectors Profit to measure the sum of Profit of the three Sectors Industry, Energy and Healthcare. Profit of the Sectors is earnings before financing interest, certain pension costs and income taxes. Certain other items not considered performance indicative 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.
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 three Sectors representing the core industrial activities of Siemens.

Reconciliation and Definitions for Non-GAAP Measures (III)

SIEMENS

Return on equity (after tax), or ROE (after tax)

In line with common practice in the financial services industry, Financial Services (SFS) uses return on equity (after tax), i.e. ROE (after tax), as one of its key (after tax) profitability measures. Starting with fiscal 2011, 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% SFS Profit, excluding Income (loss) from investments accounted for using the equity method, which is net of tax already, and tax-free income components derived from financing products. The allocated equity for SFS is 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 in banking and applicable regulatory requirements respectively. The actual risk 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 (after tax) is reported only for the SFS segment. Siemens believes that the presentation of ROE (after tax) and average allocated equity provides useful information to investors because management uses ROE (after tax) as a supplement to Siemens' Consolidated Financial Statements in evaluating the business performance of SFS, and therefore the measure could assist investors in assessing Siemens' overall performance.

ROCE (adjusted)

Return on capital employed (adjusted), or ROCE (adjusted), is Siemens' measure of capital efficiency and sustainable value creation. Siemens presents ROCE (adjusted) on a continuing basis 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.

Income from continuing operations before interest after tax, the numerator in the ROCE (adjusted) 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 the "Notes to Consolidated Financial Statements"), and excluding interest cost on Pension plans and similar commitments and taxes thereon. SFS Other income (expense) is included in Other interest income (expense), net. Adding back SFS Other income (expense) in the nominator corresponds to the adjustment for SFS debt in the denominator. For fiscal 2011 and 2010, interest cost on Pension plans and similar commitments is calculated using the weighted average discount rate of our principal pension benefit plans at period-end for the fiscal year ended September 30, 2010 (4.2%) and for the fiscal year ended September 30, 2009 (5.3%) (both as reported in "Notes to Consolidated Financial Statements" in the Annual Report) applied to Pension plans and similar commitments as reported in the "Consolidated Statements of Financial Position" as of September 30, 2010 and 2009, respectively. Pension plans and similar commitments primarily represents the funded status of pension plans and other post-employment benefits as well as the liabilities for other long-term post-employment benefits and for deferred compensation.

Average capital employed, or CE, 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 and less Fair value hedge accounting adjustment. For further information on fair value hedges, see "—Adjusted industrial net debt" 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 or 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 Report.

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 compensation received by its management, both at the level of the worldwide Siemens group and at the level of individual reportable segments.

Reconciliation and Definitions for Non-GAAP Measures (IV)

SIEMENS

Free cash flow and cash conversion rate (continued)
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.

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 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 impairment of property, plant and equipment and goodwill. Siemens defines adjusted EBIT as Income from continuing operations before income taxes less Other financial income (expense), net, plus Interest expense, less Interest income, as well as less 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 Report and in "——Reconciliation to adjusted EBITDA (continuing operations) within Item 5: "Operating and financial review and prospects" of the Annual Report, or within "Interim group management report" in the Interim Report. The IFRS financial measure most directly comparable to adjusted EBIT and adjusted EBITDA is Net income.
Adjusted EBITDA is included in the ratio of adjusted industrial net debt to adjusted EBITDA, a measure of our capital structure. Measures similar to adjusted EBITDA and adjusted EBIT are also broadly used by analysts, rating agencies and investors to assess the performance of a company. Accordingly, Siemens believes that the presentation of adjusted EBITDA and adjusted EBIT provides useful information to investors. For further information regarding the ratio of adjusted industrial net debt to adjusted EBITDA, see "—Adjusted industrial net debt."

Adjusted EBITDA and adjusted EBIT at the Sector level
Siemens also presents adjusted EBITDA and adjusted EBIT on the Sector level on a continuing basis. Siemens defines adjusted EBITDA on 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 impairment of property, plant and equipment and goodwill on the Sector level. Siemens defines adjusted EBIT on the Sector level as Profit as presented in the Segment Information less Other financial income (expense), net, plus Interest expense, less Interest income, as well as less Income (loss) from investments accounted for using the equity method, net. Each of the components of adjusted EBITDA and adjusted EBIT on 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 or within "Interim group management report" in the Interim Report. The IFRS financial measure in a manner similar to and most directly comparable to adjusted EBITDA and adjusted EBIT on the Sector level is Profit of the relevant Sector as presented in the "Notes to Consolidated Financial Statements" in the Annual Report or Interim Report.
Accordingly, we believe that reporting adjusted EBITDA and adjusted EBIT on a segment level enhances the ability of investors to compare performance across segments.

Adjusted EBITDA margins at the Sector level
Siemens defines adjusted EBITDA margins on 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 we defined adjusted EBITDA margin ranges for the respective industries of our three 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.

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 in the performance analysis.

Reconciliation and Definitions for Non-GAAP Measures (V)

SIEMENS

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 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

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 percent of our hybrid bond as equity and 50 percent 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" in the Interim Report.

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 goal that is measured by adjusted industrial net debt divided by adjusted EBITDA. Siemens believes that using the ratio of adjusted industrial net debt to adjusted EBITDA 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.

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 years (except for cancellations). Order backlog is based on firm commitments which may be cancelled in future periods. 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 prior notice.
- 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, Cross-Sector Businesses, 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 return on equity, or ROE (after tax): as defined and as reported in the "Notes to the Consolidated Financial Statements", SFS Profit after tax (used in the numerator) may exclude certain items not considered performance indicative by Management. The relevant income taxes used to derive SFS Profit after tax are calculated by applying an assumed flat tax rate to SFS Profit, excluding income (loss) from investments accounted for using the equity method, which are net of tax already, and tax-free income components derived from financing products. Accordingly, the actual amount of income taxes payable is likely to vary 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 Siemens' income.

Reconciliation and Definitions for Non-GAAP Measures (VI)

SIEMENS

Limitations on the usefulness of Siemens' supplemental financial measures (continued)

- With respect to return on capital employed, or 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 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 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 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 adjusted EBITDA, adjusted EBIT nor adjusted EBITDA margins reflects the impact of financial income (expense), net and taxes.
- 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 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.

Compensation for limitations associated with Siemens' supplemental financial measures

Information regarding the quantitative reconciliation of each supplemental financial measure to the most directly comparable IFRS financial measures is included below and Siemens encourages investors to review those reconciliations carefully.