

Non-GAAP Financial Measures

First Quarter and Fiscal 2011

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.

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.

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 numerator 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.

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.

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 in-

formation 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.
- > 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. Siemens encourages investors to review those reconciliations carefully.

QUANTITATIVE RECONCILIATIONS OF SIEMENS' SUPPLEMENTAL FINANCIAL MEASURES

The following either provides quantitative reconciliations or indicates where quantitative reconciliations of supplemental financial measures to the most comparable IFRS financial measures may be found. The values presented in the reconciliations can generally be derived from the "Consolidated Financial Statements" and "Notes to Consolidated Financial Statements" in the Annual Report or Interim Reports.

Adjusted or organic growth rates of Revenue and new orders

For a quantitative reconciliation of adjusted or organic growth rates of Revenue and new orders to unadjusted growth rates of Revenue and new orders, refer to the relevant tables within Item 5: "Operating and financial review and prospects" in the Annual Report or within "Interim group management report" in the Interim Reports.

Total Sectors Profit

Total Sectors Profit is reconciled to Income from continuing operations before income taxes in "Notes to Consolidated Financial Statements" in the Annual Report or Interim Report. For a reconciliation of Income from continuing operations before income taxes to Income from continuing operations, see the Consolidated Statements of Income in the Annual Report or Interim Reports.

Return on equity, or ROE (after tax)

Reconciliation to return on equity (ROE) (after tax) for fiscal 2011 (unaudited)

(in millions of €, except where otherwise stated)	Fiscal 2011 first quarter
Calculation of income taxes of SFS	
Profit of SFS (IBIT)	102
Less: (Income) loss from investments accounted for using the equity method, net of SFS ¹	26
Less: Tax-free income components and others ²	3
Tax basis	73
<i>Tax rate (flat)</i>	30%
Calculated income taxes of SFS	22
Profit after tax of SFS	
Profit of SFS (IBIT)	102
Less: Calculated income taxes SFS	22
Profit after tax of SFS	81
(I) Annualized Profit after tax of SFS³	323
(II) Average allocated equity of SFS⁴	1,431
(I)/(II) ROE (after tax) of SFS	22.6%

Reconciliation to return on equity (ROE) (after tax) for fiscal 2010 (unaudited)

(in millions of €, except where otherwise stated)	Fiscal 2010 first quarter
Calculation of income taxes of SFS	
Profit of SFS (IBIT)	99
Less: (Income) loss from investments accounted for using the equity method, net of SFS ¹	22
Less: Tax-free income components and others ²	2
Tax basis	76
<i>Tax rate (flat)</i>	30%
Calculated income taxes of SFS	23
Profit after tax of SFS	
Profit of SFS (IBIT)	99
Less: Calculated income taxes SFS	23
Profit after tax of SFS	77
(I) Annualized Profit after tax of SFS³	306
(II) Average allocated equity of SFS⁴	1,358
(I)/(II) ROE (after tax) of SFS	22.6%

- 1 For information on Income (loss) from investments accounted for using the equity method, net of SFS, see "Reconciliation to adjusted EBITDA (continuing operations)" within "Interim group management report."
- 2 Tax-free income components include forms of financing which are generally exempted from income taxes (e.g. communal leasing in the U.S.). Others comprise results from the sale/divestment of equity investments that are already taxed or are tax-free, and which are reclassified from "at equity" to "available-for-sale financial assets" and therefore not included in the (Income) loss from investments accounted for using the equity method, net.
- 3 Please note that annualized Profit after tax of SFS is only a technical measure in order to make the ROE values comparable and may not be used as a forecast figure.
- 4 Average allocated equity of SFS on a QTD basis is determined as a two-point average of allocated equity at the beginning and end of the respective quarter.

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

Return on capital employed (adjusted), or ROCE (adjusted)

Calculation of return on capital employed (adjusted) for the first quarter in fiscal 2011 and 2010 (unaudited)

(in millions of €, except where otherwise stated)	Average	12/31/2010	09/30/2010
Capital employed – Fiscal 2011			
Total equity	30,577	32,057	29,096
Plus: Long-term debt	16,577	15,656	17,497
Plus: Short-term debt and current maturities of long-term debt	3,234	4,051	2,416
Less: Cash and cash equivalents	(14,885)	(15,662)	(14,108)
Plus: Pension plans and similar commitments	7,849	7,234	8,464
Less: Financial Services (SFS) Debt	(9,977)	(9,925)	(10,028)
Less: Fair value hedge accounting adjustment ¹	(1,278)	(1,037)	(1,518)
Capital employed (continuing operations)²	32,096	32,374	31,819
	Average	12/31/2009	09/30/2009
Capital employed – Fiscal 2010			
Total equity	28,005	28,722	27,287
Plus: Long-term debt	18,858	18,776	18,940
Plus: Short-term debt and current maturities of long-term debt	561	423	698
Less: Cash and cash equivalents	(10,303)	(10,446)	(10,159)
Plus: Pension plans and similar commitments	6,047	6,155	5,938
Less: Financial Services (SFS) Debt	(9,297)	(9,072)	(9,521)
Less: Fair value hedge accounting adjustment ¹	(917)	(806)	(1,027)
Capital employed (continuing operations)²	32,954	33,752	32,156

¹ 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 presented above. See, "Notes to Condensed Interim Consolidated Financial Statements."

² Average capital employed on a QTD basis is determined as a two-point average of capital employed at the beginning and end of the respective quarter.

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

Return on capital employed (adjusted), or ROCE (adjusted)

Calculation of return on capital employed (adjusted) for the first quarter in fiscal 2011 and 2010 (unaudited)

(in millions of €, except where otherwise stated)	First quarter	
	2011	2010
Income from continuing operations before interest after tax		
Net income	1,753	1,531
Plus: Other interest (income) expense, net	(93)	(69)
Less: SFS Other interest income (expense) ¹	87	74
Plus: Interest cost on Pension plans and similar commitments ²	89	79
Less: Taxes on interest adjustments ³	(26)	(25)
Income before interest after tax	1,810	1,590
Plus: (Income) loss from discontinued operations, net of income taxes	34	(5)
Income from continuing operations before interest after tax	1,844	1,585
Calculation of tax rate		
(I) Income from continuing operations before income taxes	2,582	2,194
(II) Income taxes	(795)	(668)
(II)/(I) Tax rate	31%	30%
Return on capital employed (ROCE) (adjusted) (continuing operations)		
(I) Annualized Income from continuing operations before interest after tax ⁴	7,378	6,340
(II) Average capital employed (continuing operations) ^{5,6}	32,096	32,954
(I)/(II) ROCE (adjusted) (continuing operations)	23.0%	19.2%

¹ SFS Other income (expense) is included in Other interest income (expense), net. Adding back SFS Other income (expense) in the numerator corresponds to the adjustment for SFS Debt in the denominator.

² 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") applied to Pension plans and similar commitments as reported in the "Consolidated Statements of Financial Position" as of September 30, 2010 and 2009, respectively.

³ Effective tax rate for the determination of taxes on interest adjustments is calculated by dividing Income from continuing operations before income taxes through Income taxes, both as reported in the "Consolidated Statements of Income."

⁴ Please note that annualized Income from continuing operations before interest after tax is only a technical measure in order to make the ROCE value comparable and may not be used as a forecast figure.

⁵ 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 presented above. See, "Notes to Condensed Interim Consolidated Financial Statements."

⁶ Average capital employed on a QTD basis is determined as a two-point average of capital employed at the beginning and end of the respective quarter.

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

Free cash flow and cash conversion rate

Reconciliation of free cash flow and cash conversion rate for fiscal 2011 (unaudited)

(in millions of €, except where otherwise stated)	Fiscal 2011 first quarter
Free cash flow (continuing and discontinued operations)	
<i>Net cash provided by (used in) operating activities (continuing and discontinued operations)</i>	1,408
Less: Additions to intangible assets and property, plant and equipment	(480)
Free cash flow (continuing and discontinued operations)	928
<i>Net cash provided by (used in) investing activities (continuing and discontinued operations)</i>	(171)
<i>Net cash provided by (used in) financing activities (continuing and discontinued operations)</i>	231
Cash conversion rate (continuing and discontinued operations)	
(I) Free cash flow (continuing and discontinued operations)	928
(II) Net income	1,753
(I) / (II) Cash conversion rate (continuing and discontinued operations)	0.53
Free cash flow (continuing operations)	
<i>Net cash provided by (used in) operating activities (continuing operations)</i>	1,388
Less: Additions to intangible assets and property, plant and equipment (continuing operations)	(480)
Free cash flow (continuing operations)	908
<i>Net cash provided by (used in) investing activities (continuing operations)</i>	(171)
<i>Net cash provided by (used in) financing activities (continuing operations)</i>	251
Cash conversion rate (continuing operations)	
(I) Free cash flow (continuing operations)	908
(II) Income from continuing operations	1,787
(I) / (II) Cash conversion rate (continuing operations)	0.51

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

Free cash flow and cash conversion rate

Reconciliation of free cash flow and cash conversion rate for fiscal 2010 (unaudited)

(in millions of €, except where otherwise stated)	Fiscal 2010 first quarter
Free cash flow (continuing and discontinued operations)	
<i>Net cash provided by (used in) operating activities (continuing and discontinued operations)</i>	1,093
Less: Additions to intangible assets and property, plant and equipment	(396)
Free cash flow (continuing and discontinued operations)	697
<i>Net cash provided by (used in) investing activities (continuing and discontinued operations)</i>	(502)
<i>Net cash provided by (used in) financing activities (continuing and discontinued operations)</i>	(342)
Cash conversion rate (continuing and discontinued operations)	
(I) Free cash flow (continuing and discontinued operations)	697
(II) Net income	1,531
(I) / (II) Cash conversion rate (continuing and discontinued operations)	0.45
Free cash flow (continuing operations)	
<i>Net cash provided by (used in) operating activities (continuing operations)</i>	1,121
Less: Additions to intangible assets and property, plant and equipment (continuing operations)	(396)
Free cash flow (continuing operations)	725
<i>Net cash provided by (used in) investing activities (continuing operations)</i>	(478)
<i>Net cash provided by (used in) financing activities (continuing operations)</i>	(394)
Cash conversion rate (continuing operations)	
(I) Free cash flow (continuing operations)	725
(II) Income from continuing operations	1,526
(I) / (II) Cash conversion rate (continuing operations)	0.47

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

Adjusted EBITDA and adjusted EBIT (continuing)

Reconciliation to adjusted EBIT and adjusted EBITDA (continuing) for fiscal 2011 (unaudited)

(in millions of €)	Fiscal 2011 first quarter
<i>Net income</i>	1,753
Plus: (Income) loss from discontinued operations, net of income taxes	34
<i>Income from continuing operations</i>	1,787
Plus: Income taxes	795
<i>Income from continuing operations before income taxes</i>	2,582
Plus: Other financial (income) expense, net ¹	71
Plus: Interest expense ¹	450
Less: Interest income ¹	(581)
Plus: (Income) loss from investments accounted for using the equity method, net	(130)
Adjusted EBIT (continuing operations)	2,392
Plus: Amortization, depreciation and impairments ²	846
Adjusted EBITDA (continuing operations)	3,238

Reconciliation to adjusted EBIT and adjusted EBITDA (continuing) for fiscal 2010 (unaudited)

(in millions of €)	Fiscal 2010 first quarter
<i>Net income</i>	1,531
Plus: (Income) loss from discontinued operations, net of income taxes	(5)
<i>Income from continuing operations</i>	1,526
Plus: Income taxes	668
<i>Income from continuing operations before income taxes</i>	2,194
Plus: Other financial (income) expense, net ¹	14
Plus: Interest expense ¹	466
Less: Interest income ¹	(517)
Plus: (Income) loss from investments accounted for using the equity method, net	(115)
Adjusted EBIT (continuing operations)	2,041
Plus: Amortization, depreciation and impairments ²	646
Adjusted EBITDA (continuing operations)	2,687

¹ The total of *Other financial income (expense), net, Interest expense* and *Interest income* as reported in "Consolidated Statements of Income" equals Financial income (expense), net in the Reconciliation to adjusted EBITDA presented in "Reconciliation to adjusted EBITDA (continuing operations)" within the "Interim group management report."

² *Amortization, depreciation and impairments* as reported in "Segment Information (continuing operations)" within "Notes to Condensed Interim Consolidated Financial Statements" does not include impairments of goodwill. Impairments of goodwill are presented in "Reconciliation to adjusted EBITDA (continuing operations)" within the "Interim group management report."

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

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

If we report a profit margin adjusted for PPA effects and integration costs effects, we also report the absolute values of the PPA effects and integration costs for which the profit margin is adjusted. The percentage points derived enable investors to determine a profit margin including these effects.

Net debt

For a quantitative reconciliation of net debt to total debt, refer to Item 5: "Operating and financial review and prospects – Liquidity and capital resources – Capital structure" in the Annual Report or "Liquidity, capital resources and requirements" in the Interim Report. For a quantitative reconciliation of net debt see "– Adjusted industrial net debt," below.

Adjusted industrial net debt

Reconciliation to adjusted industrial net debt (unaudited)

	Fiscal 2011 first quarter
(in millions of €, except where otherwise stated)	
Short-term debt and current-maturities of long-term debt	4,051
Plus: Long-term debt ¹	15,656
Less: Cash and cash equivalents	(15,662)
Less: Current available-for-sale financial assets	(242)
Net debt²	3,803
Less: SFS Debt	(9,925)
Plus: Pension plans and similar commitments	7,234
Plus: Credit guarantees	608
Less: 50% nominal amount hybrid bond ³	(886)
Less: Fair value hedge accounting adjustment ⁴	(1,037)
(I) Adjusted industrial net debt	(204)
Adjusted EBITDA (continuing operations)	3,238
(II) Annualized adjusted EBITDA (continuing operations)⁵	12,952
(I)/(II) Adjusted industrial net debt/adjusted EBITDA (continuing operations)	(0.02)

Reconciliation to adjusted industrial net debt (unaudited)

	Fiscal 2010 first quarter
(in millions of €, except where otherwise stated)	
Short-term debt and current-maturities of long-term debt	423
Plus: Long-term debt ¹	18,776
Less: Cash and cash equivalents	(10,446)
Less: Current available-for-sale financial assets	(178)
Net debt²	8,575
Less: SFS Debt	(9,072)
Plus: Pension plans and similar commitments	6,155
Plus: Credit guarantees	306
Less: 50% nominal amount hybrid bond ³	(872)
Less: Fair value hedge accounting adjustment ⁴	(806)
(I) Adjusted industrial net debt	4,286
Adjusted EBITDA (continuing operations)	2,687
(II) Annualized adjusted EBITDA (continuing operations)⁵	10,748
(I)/(II) Adjusted industrial net debt/adjusted EBITDA (continuing operations)	0.40

- 1 Long-term debt including fair value hedge accounting adjustment of €1,037 million and €806 million as of December 31, 2010 and 2009, respectively.
- 2 We typically need a considerable portion of our Cash and cash equivalents as well as current Available-for-sale financial assets at any given time for purposes other than debt reduction. The deduction of these items from total debt in the calculation of Net debt therefore should not be understood to mean that these items are available exclusively for debt reduction at any given time. Net debt comprises components as stated on the Consolidated Statements of Financial Position.
- 3 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.
- 4 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 presented above. See, "Notes to Condensed Interim Consolidated Financial Statements."
- 5 Please note that annualized adjusted EBITDA (continuing operations) is only a technical measure in order to make the Adjusted industrial net debt / adjusted EBITDA (continuing operations) values comparable and may not be used as a forecast figure.

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

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