



**SIEMENS**

# Non-GAAP Financial Measures

Fourth Quarter and Fiscal 2011

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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, or FCF and cash conversion rate, or CCR;
- > Adjusted EBITDA, adjusted EBIT and adjusted EBITDA margins;
- > Earnings effect from purchase price allocation or PPA effects;
- > Net debt; and
- > Adjusted industrial net debt.

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

Report"), which can also be accessed at [www.siemens.com/quarterly-reports](http://www.siemens.com/quarterly-reports). Alternatively, the reports can be found at [www.siemens.com/investors](http://www.siemens.com/investors) under the heading "Financials."

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

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

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

#### **New orders and order backlog**

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

New orders are generally recognized immediately when the relevant contract becomes legally effective and compulsory. The only exceptions are orders with short overall contract terms. In this case, a separate reporting of new orders would

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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 an indicator for the future revenues of our Company resulting from already recognized new orders. Order backlog is calculated by adding the new orders of the current fiscal year to the balance of the order backlog from the prior fiscal year and by subtracting the revenue recognized in the current fiscal year. If an order from the current fiscal year is cancelled or its amount is modified, Siemens adjusts its new order total for the current quarter accordingly, but does not retroactively adjust previously published new order totals. However, if an order from a previous fiscal year is cancelled, generally new orders of the current quarter and, accordingly, the current fiscal year are not adjusted, instead, the existing order backlog is revised. Aside from cancellations, the order backlog is also subject to changes in the consolidation group and to currency translation effects.

There is no standard system for compiling and calculating new orders and order backlog information that applies across companies. Accordingly Siemens' new orders and order backlog may not be comparable with new orders and order backlog as reported by other companies. Siemens subjects its new orders and its order backlog to internal documentation and review requirements. Siemens may change its policies for recognizing new orders and order backlog in the future without previous notice.

#### **Adjusted or organic growth rates of revenue and new orders**

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

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

The adjusted or organic growth rates of revenue and new orders, as the case may be, are calculated by subtracting currency translation effects and portfolio effects from the relevant actual growth rates. The currency translation effect is calculated as (1) (a) revenues or new orders, as the case may be, for the current period, based on the currency exchange rate of the current period minus (b) revenues or new orders for the current period, based on the currency exchange rate of the previous period, divided by (2) revenues or new orders for the previous period, based on the currency exchange rate of the previous period. The portfolio effect is calculated, in the case of acquisitions, as the percentage change in revenues or new orders, as the case may be, attributable to the acquired business and, in the case of dispositions, as the percentage change in revenues or new orders on the assumption that the disposed business had not been part of Siemens in the previous period. Portfolio effects are always considered in the calculation of adjusted or organic growth rates for a period of twelve months. Siemens is making portfolio adjustments for certain carve-in and carve-out transactions, as well as for other minor transactions and reclassifications in the segments. For further information regarding major acquisitions and dispositions, see Notes to Consolidated Financial Statements in the Annual Report or in the Interim Reports.

Siemens believes that the presentation of an adjusted or organic growth rate of revenue and new orders provides useful information to investors because a meaningful analysis of trends in revenue and new orders from one period to the next

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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 before income taxes.

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

#### **ROE (after tax)**

In line with common practice in the financial services industry, Financial Services (SFS) uses ROE (after tax) as one of its key profitability measures. Starting with fiscal year 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 calcu-

lated on a simplified basis, by applying an assumed flat tax rate of 30% to SFS Profit, excluding Income (loss) from investments accounted for using the equity method, net which is generally net of tax already, and tax-free income components and other components which have already been taxed or are generally tax free. The allocated equity for SFS is mainly determined and influenced by the size and quality of its portfolio of commercial finance assets (primarily leases and loans) and equity investments. This allocation is designed to cover the risks of the underlying business and is in line with common credit risk management standards. The actual risk of the SFS portfolio is evaluated and controlled on a regular basis. The allocated equity is calculated quarterly.

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

#### **ROCE (adjusted)**

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

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

Income from continuing operations before interest after tax, the numerator in the ROCE (adjusted) (continuing operations) calculation, is defined as Income from continuing operations, excluding Other interest income (expense), net (but not Other interest income [expense] of SFS) (both as reported in the Con-

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solidated Financial Statements or in the Notes to Consolidated Financial Statements in the Annual Report or Interim Report), and excluding interest cost on Pension plans and similar commitments and taxes on these interest adjustments. SFS Other income (expense) is included in Other interest income (expense), net. Adding back SFS Other income (expense) in the numerator corresponds to the adjustment for SFS Debt in the denominator. For fiscal 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 for the fiscal years ended September 30, 2010 (4.2%) and September 30, 2009 (5.3%) (both as reported in the Notes to Consolidated Financial Statements in the Annual Report 2010) 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 benefit plans and other post-employment benefits plans.

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

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

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

#### **FCF and CCR**

Siemens defines 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 FCF provides useful information to investors because it is a measure of cash generated by our operations after deducting cash outflows for Additions to intangible assets and property, plant and equipment. Therefore, the measure gives an indication of the long-term cash generating ability of our business. In addition, because 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.

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 into Free cash flow. CCR is reported on a regular basis to Siemens' management.

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## Adjusted EBITDA, adjusted EBIT and adjusted EBITDA margins

### Adjusted EBITDA and adjusted EBIT at the Siemens group level

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

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

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

### Adjusted EBITDA and adjusted EBIT at the Sector level

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

Accordingly, we believe that reporting adjusted EBITDA and adjusted EBIT on a segment level enhances the ability of investors to compare performance across segments.

### Adjusted EBITDA margins at the Sector level

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

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### PPA effects

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

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

### Net debt

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

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

### Adjusted industrial net debt

Within One Siemens, we manage adjusted industrial net debt as one component of our capital. Siemens defines adjusted industrial net debt as net debt less SFS Debt; less 50% of the nominal amount of our hybrid bond, plus Pension plans and similar commitments (as presented in the Consolidated Financial Statements), plus credit guarantees; and less fair value hedge accounting adjustments. The adjustment for our hybrid bond considers the calculation of this financial ratio applied by

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

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

Siemens believes that using the ratio of adjusted industrial net debt to adjusted EBITDA 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.

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## Limitations on the usefulness of Siemens' supplemental financial measures

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

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

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## **Quantitative reconciliations of Siemens' supplemental financial measures**

The following provides information regarding the quantitative reconciliations of each supplemental financial measure to the most directly comparable IFRS financial measures. Values presented in reconciliations can generally be derived from the Consolidated Financial Statements and the Notes to Consolidated Financial Statements. Siemens encourages investors to review the following information carefully.

### **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 Reports. 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.

## Reconciliation to ROE (after tax)

### Reconciliation to ROE (after tax) for fiscal 2011 (unaudited)

| (in millions of €, except where otherwise stated)   | Fiscal 2011   |                |               |                |               |
|---|---------------|----------------|---------------|----------------|---------------|
|   | twelve months | fourth quarter | third quarter | second quarter | first quarter |
| <b>Calculation of income taxes of SFS</b>   |               |                |               |                |               |
| Profit of SFS (IBIT)  | 428           | 123            | 89            | 114            | 102           |
| Less/Plus: Income/loss from investments accounted for using the equity method, net, of SFS <sup>1</sup> | (92)          | (29)           | (20)          | (17)           | (26)          |
| Less: Tax-free income components and others <sup>2</sup>  | (16)          | (3)            | (4)           | (6)            | (3)           |
| Tax basis   | 319           | 90             | 65            | 92             | 73            |
| Tax rate (flat)   | 30%           | 30%            | 30%           | 30%            | 30%           |
| Calculated income taxes of SFS  | 96            | 27             | 20            | 27             | 22            |
| <b>Profit after tax of SFS</b>  |               |                |               |                |               |
| Profit of SFS (IBIT)  | 428           | 123            | 89            | 114            | 102           |
| Less: Calculated income taxes of SFS  | (96)          | (27)           | (20)          | (27)           | (22)          |
| Profit after tax of SFS   | 332           | 96             | 70            | 86             | 81            |
| <b>(I) (Annualized) profit after tax of SFS<sup>3</sup></b>   | <b>332</b>    | <b>383</b>     | <b>278</b>    | <b>345</b>     | <b>323</b>    |
| <b>(II) Average allocated equity of SFS<sup>4</sup></b>   | <b>1,468</b>  | <b>1,527</b>   | <b>1,444</b>  | <b>1,414</b>   | <b>1,431</b>  |
| <b>(I)/(II) ROE (after tax) of SFS</b>  | <b>22.6%</b>  | <b>25.1%</b>   | <b>19.3%</b>  | <b>24.4%</b>   | <b>22.6%</b>  |

### Reconciliation to ROE (after tax) for fiscal 2010 (unaudited)

| (in millions of €, except where otherwise stated)   | Fiscal 2010   |                |               |                |               |
|---|---------------|----------------|---------------|----------------|---------------|
|   | twelve months | fourth quarter | third quarter | second quarter | first quarter |
| <b>Calculation of income taxes of SFS</b>   |               |                |               |                |               |
| Profit of SFS (IBIT)  | 443           | 136            | 112           | 96             | 99            |
| Less/Plus: Income/loss from investments accounted for using the equity method, net, of SFS <sup>1</sup> | (130)         | (64)           | (25)          | (19)           | (22)          |
| Less: Tax-free income components and others <sup>2</sup>  | (12)          | (5)            | (4)           | (2)            | (2)           |
| Tax basis   | 301           | 67             | 83            | 75             | 76            |
| Tax rate (flat)   | 30%           | 30%            | 30%           | 30%            | 30%           |
| Calculated income taxes of SFS  | 90            | 20             | 25            | 23             | 23            |
| <b>Profit after tax of SFS</b>  |               |                |               |                |               |
| Profit of SFS (IBIT)  | 443           | 136            | 112           | 96             | 99            |
| Less: Calculated income taxes of SFS  | (90)          | (20)           | (25)          | (23)           | (23)          |
| Profit after tax of SFS   | 353           | 116            | 87            | 74             | 77            |
| <b>(I) (Annualized) profit after tax of SFS<sup>3</sup></b>   | <b>353</b>    | <b>463</b>     | <b>348</b>    | <b>295</b>     | <b>306</b>    |
| <b>(II) Average allocated equity of SFS<sup>4</sup></b>   | <b>1,424</b>  | <b>1,465</b>   | <b>1,474</b>  | <b>1,474</b>   | <b>1,358</b>  |
| <b>(I)/(II) ROE (after tax) of SFS</b>  | <b>24.8%</b>  | <b>31.6%</b>   | <b>23.6%</b>  | <b>20.0%</b>   | <b>22.6%</b>  |

1 For information on Income (loss) from investments accounted for using the equity method, net of SFS for the current quarter, see Reconciliation to adjusted EBITDA (continuing operations) within this document.

2 Tax-free income components include forms of financing which are generally exempted from income taxes. Others comprise result components related to the (partial) sale/divestment of equity investments, which are reclassified from "at equity" to "available-for-sale financial assets" and are therefore not included in the (Income) loss from investments accounted for using the equity method, net. Such results are already taxed or generally tax free.

3 Please note that annualized profit after tax of SFS presented on a quarterly basis 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 quarterly basis is determined as a two-point average of allocated equity at the end of the prior quarter and the end of the current quarter. Average capital employed on a year to date basis comprising n quarters is determined as a (n+1)-point average starting with the capital employed as of September 30 of the previous fiscal year.

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

## Reconciliation to ROCE (adjusted)

### Reconciliation to capital employed for fiscal 2011 and 2010 (unaudited)

| (in millions of €, except where otherwise stated)                                      | 09/30/2011    | 06/30/2011    | 03/31/2011    | 12/31/2010    | 09/30/2010    |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Capital employed – Fiscal 2011</b>  |               |               |               |               |               |
| Total equity   | 32,156        | 31,542        | 31,483        | 32,057        | 29,096        |
| Plus: Long-term debt   | 14,280        | 14,191        | 14,196        | 15,656        | 17,497        |
| Plus: Short-term debt and current maturities of long-term debt                         | 3,660         | 4,971         | 5,016         | 4,051         | 2,416         |
| Less: Cash and cash equivalents  | (12,468)      | (13,006)      | (14,973)      | (15,662)      | (14,108)      |
| Plus: Pension plans and similar commitments  | 7,307         | 5,997         | 5,845         | 7,234         | 8,464         |
| Less: Financial Services (SFS) Debt  | (12,075)      | (10,384)      | (10,037)      | (9,925)       | (10,028)      |
| Less: Fair value hedge accounting adjustment <sup>1</sup>                              | (1,470)       | (808)         | (719)         | (1,037)       | (1,518)       |
| <b>Capital employed (continuing and discontinued operations)<sup>2</sup></b>           | <b>31,391</b> | <b>32,503</b> | <b>30,812</b> | <b>32,374</b> | <b>31,819</b> |
| Less: Assets classified as held for disposal presented as discontinued operations      | (4,667)       | (5,636)       | (5,148)       | –             | –             |
| Plus: Liabilities classified as held for disposal presented as discontinued operations | 1,756         | 3,121         | 2,966         | –             | –             |
| <b>Capital employed (continuing operations)<sup>2</sup></b>                            | <b>28,479</b> | <b>29,987</b> | <b>28,630</b> | <b>32,374</b> | <b>31,819</b> |
|  | 09/30/2010    | 06/30/2010    | 03/31/2010    | 12/31/2009    | 09/30/2009    |
| <b>Capital employed – Fiscal 2010</b>  |               |               |               |               |               |
| Total equity   | 29,096        | 30,211        | 28,969        | 28,722        | 27,287        |
| Plus: Long-term debt   | 17,497        | 20,032        | 19,174        | 18,776        | 18,940        |
| Plus: Short-term debt and current maturities of long-term debt                         | 2,416         | 458           | 395           | 423           | 698           |
| Less: Cash and cash equivalents  | (14,108)      | (11,829)      | (9,753)       | (10,446)      | (10,159)      |
| Plus: Pension plans and similar commitments  | 8,464         | 8,054         | 6,532         | 6,155         | 5,938         |
| Less: Financial Services (SFS) Debt  | (10,028)      | (10,424)      | (9,459)       | (9,072)       | (9,521)       |
| Less: Fair value hedge accounting adjustment <sup>1</sup>                              | (1,518)       | (1,437)       | (1,085)       | (806)         | (1,027)       |
| <b>Capital employed (continuing and discontinued operations)<sup>2</sup></b>           | <b>31,819</b> | <b>35,065</b> | <b>34,773</b> | <b>33,752</b> | <b>32,156</b> |
| Less: Assets classified as held for disposal presented as discontinued operations      | –             | –             | –             | –             | –             |
| Plus: Liabilities classified as held for disposal presented as discontinued operations | –             | –             | –             | –             | –             |
| <b>Capital employed (continuing operations)<sup>2</sup></b>                            | <b>31,819</b> | <b>35,065</b> | <b>34,773</b> | <b>33,752</b> | <b>32,156</b> |

<sup>1</sup> 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.

<sup>2</sup> Average capital employed on a quarterly basis is determined as a two-point average of capital employed at the end of the prior quarter and the end of the respective quarter. Average capital employed on a year to date basis comprising n quarters is determined as a (n+1)-point average starting with the capital employed as of September 30 of the previous fiscal year.

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

## Reconciliation to ROCE (adjusted)

### Reconciliation to ROCE (adjusted) for fiscal 2011 and 2010 (unaudited)

| (in millions of €, except where otherwise stated)   | twelve months | fourth quarter | third quarter | second quarter | Fiscal 2011<br>first quarter |
|---|---------------|----------------|---------------|----------------|------------------------------|
| <b>Income before interest after tax</b>   |               |                |               |                |                              |
| Net income  | 6,321         | 1,231          | 501           | 2,836          | 1,753                        |
| Plus/Less: Other interest expense/income, net   | (376)         | (96)           | (93)          | (94)           | (93)                         |
| Less/Plus: SFS Other interest expense/income <sup>1</sup>                                 | 371           | 93             | 94            | 97             | 87                           |
| Plus: Interest cost on Pension plans and similar commitments <sup>2</sup>                 | 356           | 89             | 89            | 89             | 89                           |
| Less: Taxes on interest adjustments <sup>3</sup>  | (85)          | (26)           | (22)          | (12)           | (24)                         |
| <b>Income before interest after tax</b>   | <b>6,587</b>  | <b>1,290</b>   | <b>569</b>    | <b>2,916</b>   | <b>1,812</b>                 |
| Less/Plus: Income/loss from discontinued operations, net of income taxes                  | 690           | (3)            | 262           | 338            | 93                           |
| <b>Income from continuing operations before interest after tax</b>                        | <b>7,277</b>  | <b>1,287</b>   | <b>831</b>    | <b>3,254</b>   | <b>1,905</b>                 |
| <b>Calculation of tax rate</b>  |               |                |               |                |                              |
| (I) Income from continuing operations before income taxes                                 | 9,242         | 1,829          | 1,077         | 3,737          | 2,599                        |
| (II) Income taxes   | (2,231)       | (601)          | (314)         | (563)          | (753)                        |
| (II) / (I) Tax rate   | 24%           | 33%            | 29%           | 15%            | 29%                          |
| <b>ROCE (adjusted) (continuing and discontinued operations)</b>                           |               |                |               |                |                              |
| (I) (Annualized) income before interest after tax <sup>4</sup>                            | 6,587         | 5,158          | 2,277         | 11,664         | 7,248                        |
| (II) Average capital employed (continuing and discontinued operations) <sup>5,6</sup>     | 31,780        | 31,947         | 31,657        | 31,593         | 32,096                       |
| <b>(I)/(II) ROCE (adjusted) (continuing and discontinued operations)</b>                  | <b>20.7%</b>  | <b>16.1%</b>   | <b>7.2%</b>   | <b>36.9%</b>   | <b>22.6%</b>                 |
| <b>ROCE (adjusted) (continuing operations)</b>  |               |                |               |                |                              |
| (I) (Annualized) income from continuing operations before interest after tax <sup>4</sup> | 7,277         | 5,146          | 3,325         | 13,015         | 7,620                        |
| (II) Average capital employed (continuing operations) <sup>5,6</sup>                      | 30,258        | 29,233         | 29,308        | 30,502         | 32,096                       |
| <b>(I)/(II) ROCE (adjusted) (continuing operations)</b>                                   | <b>24.0%</b>  | <b>17.6%</b>   | <b>11.3%</b>  | <b>42.7%</b>   | <b>23.7%</b>                 |

1 SFS Other interest income/expense is included in Other interest income/expense, net. Adding back SFS Other interest 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 for the fiscal year ended September 30, 2010 (4.2%) and 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 taxes through Income from continuing operations before income taxes, both as reported in the Consolidated Statements of Income.

4 Please note that annualized income before interest after tax and annualized income from continuing operations before interest after tax presented on a quarterly basis 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 quarterly basis is determined as a two-point average of capital employed at the end of the prior quarter and the end of the respective quarter. Average capital employed on a year to date basis comprising n quarters is determined as a (n+1)-point average starting with the capital employed as of September 30 of the previous fiscal year.

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

## Reconciliation to ROCE (adjusted)

### Reconciliation to ROCE (adjusted) for fiscal 2011 and 2010 (unaudited)

| (in millions of €, except where otherwise stated)   | Fiscal 2010   |                |               |                |               |
|---|---------------|----------------|---------------|----------------|---------------|
|   | twelve months | fourth quarter | third quarter | second quarter | first quarter |
| <b>Income before interest after tax</b>   |               |                |               |                |               |
| Net income  | 4,068         | (396)          | 1,435         | 1,498          | 1,531         |
| Plus/Less: Other interest expense/income, net   | (317)         | (98)           | (85)          | (65)           | (69)          |
| Less/Plus: SFS Other interest expense/ income <sup>1</sup>                                | 339           | 99             | 89            | 77             | 74            |
| Plus: Interest cost on Pension plans and similar commitments <sup>2</sup>                 | 315           | 79             | 79            | 79             | 79            |
| Less: Taxes on interest adjustments <sup>3</sup>  | (98)          | (23)           | (24)          | (24)           | (25)          |
| <b>Income before interest after tax</b>   | <b>4,308</b>  | <b>(339)</b>   | <b>1,494</b>  | <b>1,565</b>   | <b>1,590</b>  |
| Less/Plus: Income/loss from discontinued operations, net of income taxes                  | 194           | 354            | (7)           | (71)           | (82)          |
| <b>Income from continuing operations before interest after tax</b>                        | <b>4,502</b>  | <b>15</b>      | <b>1,487</b>  | <b>1,494</b>   | <b>1,508</b>  |
| <b>Calculation of tax rate</b>  |               |                |               |                |               |
| (I) Income from continuing operations before income taxes                                 | 5,974         | (70)           | 2,035         | 1,937          | 2,072         |
| (II) Income taxes   | (1,712)       | 28             | (607)         | (510)          | (623)         |
| (II) / (I) Tax rate   | 29%           | 41%            | 30%           | 26%            | 30%           |
| <b>ROCE (adjusted) (continuing and discontinued operations)</b>                           |               |                |               |                |               |
| (I) (Annualized) income before interest after tax <sup>4</sup>                            | 4,308         | (1,357)        | 5,976         | 6,260          | 6,360         |
| (II) Average capital employed (continuing and discontinued operations) <sup>5,6</sup>     | 33,513        | 33,442         | 34,919        | 34,263         | 32,954        |
| <b>(I)/(II) ROCE (adjusted) (continuing and discontinued operations)</b>                  | <b>12.9%</b>  | <b>(4.1)%</b>  | <b>17.1%</b>  | <b>18.3%</b>   | <b>19.3%</b>  |
| <b>ROCE (adjusted) (continuing operations)</b>  |               |                |               |                |               |
| (I) (Annualized) income from continuing operations before interest after tax <sup>4</sup> | 4,502         | 59             | 5,948         | 5,976          | 6,032         |
| (II) Average capital employed (continuing operations) <sup>5,6</sup>                      | 33,513        | 33,442         | 34,919        | 34,263         | 32,954        |
| <b>(I)/(II) ROCE (adjusted) (continuing operations)</b>                                   | <b>13.4%</b>  | <b>0.2%</b>    | <b>17.0%</b>  | <b>17.4%</b>   | <b>18.3%</b>  |

1 SFS Other interest income/expense is included in Other interest income/expense, net. Adding back SFS Other interest 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 for the fiscal year ended September 30, 2010 (4.2%) and 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 taxes through Income from continuing operations before income taxes, both as reported in the Consolidated Statements of Income.

4 Please note that annualized income before interest after tax and annualized income from continuing operations before interest after tax presented on a quarterly basis 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 quarterly basis is determined as a two-point average of capital employed at the end of the prior quarter and the end of the respective quarter. Average capital employed on a year to date basis comprising n quarters is determined as a (n+1)-point average starting with the capital employed as of September 30 of the previous fiscal year.

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

## Reconciliation to FCF and CCR

### Reconciliation to FCF and CCR for fiscal 2011 (unaudited)

| (in millions of €, except where otherwise stated)  | twelve months | fourth quarter | third quarter | second quarter | Fiscal 2011<br>first quarter |
|--|---------------|----------------|---------------|----------------|------------------------------|
| <b>Free cash flow (continuing and discontinued operations)</b>                                 |               |                |               |                |                              |
| Net cash provided by (used in) operating activities (continuing and discontinued operations)   | 7,767         | 4,369          | 1,520         | 470            | 1,408                        |
| Less: Additions to intangible assets and property, plant and equipment                         | (2,617)       | (946)          | (659)         | (532)          | (480)                        |
| <b>Free cash flow (continuing and discontinued operations)</b>                                 | <b>5,150</b>  | <b>3,423</b>   | <b>861</b>    | <b>(62)</b>    | <b>928</b>                   |
| Net cash provided by (used in) investing activities (continuing and discontinued operations)   | (4,044)       | (2,825)        | (2,253)       | 1,205          | (171)                        |
| Net cash provided by (used in) financing activities (continuing and discontinued operations)   | (5,443)       | (2,261)        | (1,103)       | (2,310)        | 231                          |
| <b>Cash conversion rate (continuing and discontinued operations)</b>                           |               |                |               |                |                              |
| (I) Free cash flow (continuing and discontinued operations)                                    | 5,150         | 3,423          | 861           | (62)           | 928                          |
| (II) Net income  | 6,321         | 1,231          | 501           | 2,836          | 1,753                        |
| <b>(I) / (II) Cash conversion rate (continuing and discontinued operations)</b>                | <b>0.81</b>   | <b>2.78</b>    | <b>1.72</b>   | <b>(0.02)</b>  | <b>0.53</b>                  |
| <b>Free cash flow (continuing operations)</b>  |               |                |               |                |                              |
| Net cash provided by (used in) operating activities (continuing operations)                    | 8,056         | 4,349          | 1,532         | 763            | 1,412                        |
| Less: Additions to intangible assets and property, plant and equipment (continuing operations) | (2,171)       | (869)          | (540)         | (409)          | (353)                        |
| <b>Free cash flow (continuing operations)</b>  | <b>5,885</b>  | <b>3,480</b>   | <b>992</b>    | <b>354</b>     | <b>1,059</b>                 |
| Net cash provided by (used in) investing activities (continuing operations)                    | (2,909)       | (2,555)        | (1,641)       | 1,331          | (44)                         |
| Net cash provided by (used in) financing activities (continuing operations)                    | (6,867)       | (2,511)        | (1,727)       | (2,729)        | 100                          |
| <b>Cash conversion rate (continuing operations)</b>  |               |                |               |                |                              |
| (I) Free cash flow (continuing operations)   | 5,885         | 3,480          | 992           | 354            | 1,059                        |
| (II) Income from continuing operations   | 7,011         | 1,228          | 763           | 3,174          | 1,846                        |
| <b>(I) / (II) Cash conversion rate (continuing operations)</b>                                 | <b>0.84</b>   | <b>2.83</b>    | <b>1.30</b>   | <b>0.11</b>    | <b>0.57</b>                  |

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

## Reconciliation to FCF and CCR

### Reconciliation to FCF and CCR for fiscal 2010 (unaudited)

| (in millions of €, except where otherwise stated)  | twelve months | fourth quarter | third quarter | second quarter | Fiscal 2010 first quarter |
|--|---------------|----------------|---------------|----------------|---------------------------|
| <b>Free cash flow (continuing and discontinued operations)</b>                                 |               |                |               |                |                           |
| Net cash provided by (used in) operating activities (continuing and discontinued operations)   | 9,349         | 3,937          | 2,668         | 1,651          | 1,093                     |
| Less: Additions to intangible assets and property, plant and equipment                         | (2,336)       | (982)          | (539)         | (419)          | (396)                     |
| <b>Free cash flow (continuing and discontinued operations)</b>                                 | <b>7,013</b>  | <b>2,955</b>   | <b>2,129</b>  | <b>1,232</b>   | <b>697</b>                |
| Net cash provided by (used in) investing activities (continuing and discontinued operations)   | (2,847)       | (1,289)        | (414)         | (642)          | (502)                     |
| Net cash provided by (used in) financing activities (continuing and discontinued operations)   | (2,646)       | (151)          | (356)         | (1,797)        | (342)                     |
| <b>Cash conversion rate (continuing and discontinued operations)</b>                           |               |                |               |                |                           |
| (I) Free cash flow (continuing and discontinued operations)                                    | 7,013         | 2,955          | 2,129         | 1,232          | 697                       |
| (II) Net income  | 4,068         | (396)          | 1,435         | 1,498          | 1,531                     |
| <b>(I) / (II) Cash conversion rate (continuing and discontinued operations)</b>                | <b>1.72</b>   | <b>n/a</b>     | <b>1.48</b>   | <b>0.82</b>    | <b>0.45</b>               |
| <b>Free cash flow (continuing operations)</b>  |               |                |               |                |                           |
| Net cash provided by (used in) operating activities (continuing operations)                    | 8,997         | 3,713          | 2,541         | 1,674          | 1,069                     |
| Less: Additions to intangible assets and property, plant and equipment (continuing operations) | (1,954)       | (782)          | (453)         | (363)          | (356)                     |
| <b>Free cash flow (continuing operations)</b>  | <b>7,043</b>  | <b>2,931</b>   | <b>2,088</b>  | <b>1,311</b>   | <b>713</b>                |
| Net cash provided by (used in) investing activities (continuing operations)                    | (2,315)       | (1,075)        | (246)         | (566)          | (428)                     |
| Net cash provided by (used in) financing activities (continuing operations)                    | (2,826)       | (141)          | (397)         | (1,896)        | (392)                     |
| <b>Cash conversion rate (continuing operations)</b>  |               |                |               |                |                           |
| (I) Free cash flow (continuing operations)   | 7,043         | 2,931          | 2,088         | 1,311          | 713                       |
| (II) Income from continuing operations   | 4,262         | (42)           | 1,428         | 1,427          | 1,449                     |
| <b>(I) / (II) Cash conversion rate (continuing operations)</b>                                 | <b>1.65</b>   | <b>n/a</b>     | <b>1.46</b>   | <b>0.92</b>    | <b>0.49</b>               |

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

## Reconciliation to adjusted EBITDA, adjusted EBIT and adjusted EBITDA margins

Reconciliation from Profit/Income before income taxes to adjusted EBITDA (continuing operations) (unaudited)  
For the three months ended September 30, 2011 and 2010

| (in millions of €)   | Profit <sup>1,2</sup> |              | Income (loss) from investments accounted for using the equity method, net <sup>3</sup> |              |
|--|-----------------------|--------------|--|--------------|
|  | 2011                  | 2010         | 2011   | 2010         |
| <b>Sectors and Divisions</b>                                 |                       |              |  |              |
| <b>Industry Sector</b>                                       | <b>1,041</b>          | <b>684</b>   | <b>14</b>  | <b>5</b>     |
| Industry Automation  | 398                   | 323          | –  | –            |
| Drive Technologies   | 307                   | 268          | –  | –            |
| Building Technologies  | 135                   | 134          | 2  | 2            |
| Industry Solutions   | 87                    | (131)        | 5  | –            |
| Mobility   | 125                   | 102          | 7  | 3            |
| <b>Energy Sector</b>   | <b>631</b>            | <b>903</b>   | <b>(25)</b>  | <b>22</b>    |
| Fossil Power Generation                                      | 407                   | 371          | 14   | 14           |
| Renewable Energy   | (154)                 | 97           | (43)   | 1            |
| Oil & Gas  | 129                   | 118          | –  | –            |
| Power Transmission   | 154                   | 214          | 4  | 8            |
| Power Distribution   | 104                   | 118          | –  | –            |
| <b>Healthcare Sector</b>                                     | <b>494</b>            | <b>(796)</b> | <b>4</b>   | <b>(8)</b>   |
| therein: Diagnostics   | 63                    | (1,142)      | –  | (9)          |
| <b>Total Sectors</b>   | <b>2,166</b>          | <b>791</b>   | <b>(8)</b>   | <b>19</b>    |
| <b>Equity Investments</b>                                    | <b>(49)</b>           | <b>(181)</b> | <b>(50)</b>  | <b>(188)</b> |
| <b>Financial Services (SFS)</b>                              | <b>123</b>            | <b>136</b>   | <b>29</b>  | <b>64</b>    |
| <b>Reconciliation to Consolidated Financial Statements</b>   |                       |              |  |              |
| Centrally managed portfolio activities                       | (23)                  | (85)         | 4  | 6            |
| Siemens Real Estate (SRE)                                    | 2                     | (25)         | –  | –            |
| Corporate items and pensions                                 | (414)                 | (545)        | –  | –            |
| Eliminations, Corporate Treasury and other reconciling items | 24                    | (162)        | (1)  | 18           |
| <b>Siemens</b>   | <b>1,829</b>          | <b>(70)</b>  | <b>(25)</b>  | <b>(82)</b>  |

- 1 Profit of the Sectors and Divisions as well as of Equity Investments and Centrally managed portfolio activities is earnings before financing interest, certain pension costs and income taxes. Certain other items not considered performance indicative by Management may be excluded. Profit of SFS and SRE is Income before income taxes. Profit of Siemens is Income from continuing operations before income taxes. For a reconciliation of Income from continuing operations before income taxes to Net income see Consolidated Statements of Income.
- 2 Beginning with fiscal 2011, central infrastructure costs which were formerly reported in Corporate items will be allocated primarily to the Sectors. The total amount to be allocated is determined at the beginning of the fiscal year and is charged in set portions in all four quarters. Presentation of prior-year information has been adjusted to conform to the current-year presentation.
- 3 Includes impairments and reversals of impairments of investments accounted for using the equity method.

| Financial income (expense), net <sup>4</sup> |       | Adjusted EBIT <sup>5</sup> |         | Amortization <sup>6</sup> |      | Depreciation and impairments of property, plant and equipment and goodwill <sup>7</sup> |       | Adjusted EBITDA |       | Adjusted EBITDA margin |       |
|--|-------|----------------------------|---------|---------------------------|------|---|-------|-----------------|-------|------------------------|-------|
| 2011   | 2010  | 2011                       | 2010    | 2011                      | 2010 | 2011  | 2010  | 2011            | 2010  | 2011                   | 2010  |
| (3)  | (1)   | 1,031                      | 680     | 86                        | 95   | 120   | 123   | 1,237           | 897   | 13.4%                  | 10.5% |
| –  | –     | 398                        | 323     | 43                        | 50   | 29  | 29    | 469             | 402   |                        |       |
| –  | –     | 307                        | 268     | 11                        | 11   | 45  | 42    | 363             | 322   |                        |       |
| (1)  | –     | 134                        | 133     | 22                        | 22   | 21  | 24    | 177             | 179   |                        |       |
| 1  | 1     | 80                         | (133)   | 6                         | 7    | 13  | 15    | 100             | (111) |                        |       |
| (4)  | (3)   | 123                        | 102     | 4                         | 5    | 12  | 11    | 139             | 118   |                        |       |
| 2  | (6)   | 654                        | 888     | 48                        | 24   | 267   | 102   | 969             | 1,014 | 12.5%                  | 14.0% |
| (6)  | (3)   | 399                        | 360     | 5                         | 4    | 37  | 37    | 442             | 401   |                        |       |
| (3)  | (1)   | (107)                      | 97      | 32                        | 8    | 177   | 17    | 102             | 122   |                        |       |
| (1)  | (1)   | 130                        | 119     | 6                         | 7    | 18  | 15    | 154             | 140   |                        |       |
| 13   | (1)   | 137                        | 207     | 2                         | 3    | 24  | 22    | 164             | 232   |                        |       |
| (1)  | (1)   | 105                        | 119     | 3                         | 3    | 10  | 10    | 117             | 131   |                        |       |
| (10)   | 11    | 501                        | (799)   | 80                        | 98   | 80  | 1,279 | 661             | 577   | 19.4%                  | 16.9% |
| 1  | 2     | 62                         | (1,135) | 46                        | 61   | 55  | 1,246 | 163             | 172   |                        |       |
| (12)   | 3     | 2,186                      | 769     | 214                       | 216  | 468   | 1,503 | 2,867           | 2,488 |                        |       |
| 2  | 7     | (1)                        | –       | –                         | –    | –   | –     | (1)             | –     |                        |       |
| 87   | 56    | 7                          | 16      | 2                         | 3    | 58  | 84    | 67              | 102   |                        |       |
| –  | 1     | (28)                       | (92)    | 1                         | 1    | 1   | 2     | (26)            | (90)  |                        |       |
| (22)   | (9)   | 24                         | (16)    | –                         | 1    | 76  | 97    | 100             | 81    |                        |       |
| (23)   | (54)  | (391)                      | (491)   | 3                         | 13   | 13  | 13    | (375)           | (464) |                        |       |
| 67   | (123) | (42)                       | (56)    | –                         | –    | (11)  | (14)  | (54)            | (70)  |                        |       |
| 100  | (119) | 1,754                      | 130     | 220                       | 233  | 604   | 1,685 | 2,578           | 2,049 |                        |       |

4 Includes impairment of non-current available-for-sale financial assets. For Siemens, Financial income (expense), net comprises Interest income, Interest expense and Other financial income (expense), net as reported in the Consolidated Statements of Income.

5 Adjusted EBIT is Income from continuing operations before income taxes less Financial income (expense), net and Income (loss) from investments accounted for using the equity method, net.

6 Amortization and impairments, net of reversals, of intangible assets other than goodwill.

7 Depreciation and impairments of property, plant and equipment, net of reversals. Includes impairments of goodwill of €128 million in the current period and €1.145 billion in the prior-year period, respectively.

Due to rounding numbers presented may not add up precisely to totals provided.

## Reconciliation to adjusted EBIT and adjusted EBITDA

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

| (in millions of €, except where otherwise stated)                                  | Fiscal 2011   |                |               |                |               |
|--|---------------|----------------|---------------|----------------|---------------|
|  | twelve months | fourth quarter | third quarter | second quarter | first quarter |
| <b>Net income</b>  | 6,321         | 1,231          | 501           | 2,836          | 1,753         |
| Less/Plus: Income/loss from discontinued operations, net of income taxes           | 690           | (3)            | 262           | 338            | 93            |
| Income from continuing operations  | 7,011         | 1,228          | 763           | 3,174          | 1,846         |
| Plus: Income taxes   | 2,231         | 601            | 314           | 563            | 753           |
| Income from continuing operations before income taxes                              | 9,242         | 1,829          | 1,077         | 3,737          | 2,599         |
| Less/Plus: Other financial income/expense, net <sup>1</sup>                        | (646)         | 28             | 736           | (1,482)        | 72            |
| Plus: Interest expense <sup>1</sup>  | 1,716         | 438            | 424           | 435            | 419           |
| Less: Interest income <sup>1</sup>   | (2,207)       | (566)          | (550)         | (543)          | (548)         |
| Less/Plus: Income/loss from investments accounted for using the equity method, net | (147)         | 25             | 43            | (92)           | (123)         |
| <b>Adjusted EBIT (continuing operations)</b>                                       | <b>7,958</b>  | <b>1,754</b>   | <b>1,729</b>  | <b>2,056</b>   | <b>2,419</b>  |
| Plus: Amortization, depreciation and impairments <sup>2</sup>                      | 2,638         | 825            | 590           | 609            | 615           |
| <b>Adjusted EBITDA (continuing operations)</b>                                     | <b>10,596</b> | <b>2,578</b>   | <b>2,319</b>  | <b>2,665</b>   | <b>3,034</b>  |

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

| (in millions of €, except where otherwise stated)                                  | Fiscal 2010   |                |               |                |               |
|--|---------------|----------------|---------------|----------------|---------------|
|  | twelve months | fourth quarter | third quarter | second quarter | first quarter |
| <b>Net income</b>  | 4,068         | (396)          | 1,435         | 1,498          | 1,531         |
| Less/Plus: Income/loss from discontinued operations, net of income taxes           | 194           | 354            | (7)           | (71)           | (82)          |
| Income from continuing operations  | 4,262         | (42)           | 1,428         | 1,427          | 1,449         |
| Plus: Income taxes   | 1,712         | (28)           | 607           | 510            | 623           |
| Income from continuing operations before income taxes                              | 5,974         | (70)           | 2,035         | 1,937          | 2,072         |
| Less/Plus: Other financial income/expense, net <sup>1</sup>                        | 383           | 210            | 110           | 49             | 14            |
| Plus: Interest expense <sup>1</sup>  | 1,759         | 450            | 436           | 438            | 435           |
| Less: Interest income <sup>1</sup>   | (2,045)       | (541)          | (513)         | (499)          | (492)         |
| Less/Plus: Income/loss from investments accounted for using the equity method, net | (9)           | 82             | (41)          | 63             | (113)         |
| <b>Adjusted EBIT (continuing operations)</b>                                       | <b>6,061</b>  | <b>130</b>     | <b>2,027</b>  | <b>1,989</b>   | <b>1,916</b>  |
| Plus: Amortization, depreciation and impairments <sup>2</sup>                      | 3,743         | 1,918          | 640           | 627            | 557           |
| <b>Adjusted EBITDA (continuing operations)</b>                                     | <b>9,805</b>  | <b>2,049</b>   | <b>2,667</b>  | <b>2,616</b>   | <b>2,473</b>  |

- 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, within item 5: Operating and financial review and prospects – Reconciliation to adjusted EBITDA (continuing operations) or within this document.
- 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 Item 5: Operating and financial review and prospects – Reconciliation to adjusted EBITDA (continuing operations) or within this document.

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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**PPA effects**

If we report PPA effects, we provide the absolute values of the PPA effects. The absolute values enable investors to consider earnings impacts related to business combination accounting in the performance analysis.

**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 on Form 20-F or Liquidity, capital resources and requirements in the Interim Reports. For a quantitative reconciliation of net debt see also – Adjusted industrial net debt, below.

## Reconciliation to adjusted industrial net debt

### Reconciliation to adjusted industrial net debt for fiscal 2011 (unaudited)<sup>1</sup>

| (in millions of €, except where otherwise stated)                                    | Fiscal 2011    |                |               |                |               |
|--|----------------|----------------|---------------|----------------|---------------|
|  | twelve months  | fourth quarter | third quarter | second quarter | first quarter |
| Short-term debt and current-maturities of long-term debt <sup>2</sup>                | 3,660          | 3,660          | 4,971         | 5,016          | 4,051         |
| Plus: Long-term debt <sup>2</sup>  | 14,280         | 14,280         | 14,191        | 14,196         | 15,656        |
| Less: Cash and cash equivalents  | (12,468)       | (12,468)       | (13,006)      | (14,973)       | (15,662)      |
| Less: Current Available-for-sale financial assets                                    | (477)          | (477)          | (425)         | (430)          | (242)         |
| <b>Net debt<sup>3</sup></b>  | <b>4,995</b>   | <b>4,995</b>   | <b>5,731</b>  | <b>3,810</b>   | <b>3,803</b>  |
| Less: SFS Debt   | (12,075)       | (12,075)       | (10,384)      | (10,037)       | (9,925)       |
| Plus: Pension plans and similar commitments  | 7,307          | 7,307          | 5,997         | 5,845          | 7,234         |
| Plus: Credit guarantees  | 591            | 591            | 573           | 577            | 608           |
| Less: 50% nominal amount hybrid bond <sup>4</sup>                                    | (883)          | (883)          | (865)         | (874)          | (886)         |
| Less: Fair value hedge accounting adjustment <sup>5</sup>                            | (1,470)        | (1,470)        | (808)         | (719)          | (1,037)       |
| <b>(I) Adjusted industrial net debt</b>  | <b>(1,534)</b> | <b>(1,534)</b> | <b>243</b>    | <b>(1,398)</b> | <b>(204)</b>  |
| <b>Adjusted EBITDA (continuing operations)</b>                                       | <b>10,596</b>  | <b>2,578</b>   | <b>2,319</b>  | <b>2,665</b>   | <b>3,034</b>  |
| <b>(II) Annualized adjusted EBITDA (continuing operations)<sup>6</sup></b>           | <b>10,596</b>  | <b>10,312</b>  | <b>9,278</b>  | <b>10,659</b>  | <b>12,135</b> |
| <b>(I)/(II) Adjusted industrial net debt/adjusted EBITDA (continuing operations)</b> | <b>(0.14)</b>  | <b>(0.15)</b>  | <b>0.03</b>   | <b>(0.13)</b>  | <b>(0.02)</b> |

### Reconciliation to adjusted industrial net debt for fiscal 2010 (unaudited)<sup>1</sup>

| (in millions of €, except where otherwise stated)                                    | Fiscal 2010   |                |               |                |               |
|--|---------------|----------------|---------------|----------------|---------------|
|  | twelve months | fourth quarter | third quarter | second quarter | first quarter |
| Short-term debt and current-maturities of long-term debt <sup>2</sup>                | 2,416         | 2,416          | 458           | 395            | 423           |
| Plus: Long-term debt <sup>2</sup>  | 17,497        | 17,497         | 20,032        | 19,174         | 18,776        |
| Less: Cash and cash equivalents  | (14,108)      | (14,108)       | (11,829)      | (9,753)        | (10,446)      |
| Less: Current Available-for-sale financial assets                                    | (246)         | (246)          | (262)         | (292)          | (178)         |
| <b>Net debt<sup>3</sup></b>  | <b>5,560</b>  | <b>5,560</b>   | <b>8,399</b>  | <b>9,524</b>   | <b>8,575</b>  |
| Less: SFS Debt   | (10,028)      | (10,028)       | (10,424)      | (9,459)        | (9,072)       |
| Plus: Pension plans and similar commitments  | 8,464         | 8,464          | 6,822         | 6,532          | 6,155         |
| Plus: Credit guarantees  | 597           | 597            | 527           | 488            | 306           |
| Less: 50% nominal amount hybrid bond <sup>4</sup>                                    | (886)         | (886)          | (909)         | (871)          | (872)         |
| Less: Fair value hedge accounting adjustment <sup>5</sup>                            | (1,518)       | (1,518)        | (1,437)       | (1,085)        | (806)         |
| <b>(I) Adjusted industrial net debt</b>  | <b>2,189</b>  | <b>2,189</b>   | <b>2,978</b>  | <b>5,128</b>   | <b>4,286</b>  |
| <b>Adjusted EBITDA (continuing operations)</b>                                       | <b>9,805</b>  | <b>2,049</b>   | <b>2,667</b>  | <b>2,616</b>   | <b>2,473</b>  |
| <b>(II) Annualized adjusted EBITDA (continuing operations)<sup>6</sup></b>           | <b>9,805</b>  | <b>8,196</b>   | <b>10,670</b> | <b>10,462</b>  | <b>9,891</b>  |
| <b>(I)/(II) Adjusted industrial net debt/adjusted EBITDA (continuing operations)</b> | <b>0.22</b>   | <b>0.27</b>    | <b>0.28</b>   | <b>0.49</b>    | <b>0.43</b>   |

<sup>1</sup> A reconciliation for the nine months as of June 30, 2011 and for the six months as of March 31, 2011 is presented in the Interim group management report.

<sup>2</sup> Short-term debt and current-maturities of long-term debt as well as Long-term debt included overall fair value hedge accounting adjustments of €1,470 million as of September 30, 2011 and €1,518 million as of September 30, 2010; €808 million as of June 30, 2011 and €1,437 million as of June 30, 2010; €719 million as of March 31, 2011 and €1,085 million as of March 31, 2010 and €1,037 million as of December 31, 2010 and €806 million as of December 31, 2009.

<sup>3</sup> 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.

<sup>4</sup> The adjustment for our hybrid bond considers the calculation of this financial ratio applied by rating agencies to classify 50% of our hybrid bond as equity and 50% as debt. This assignment follows the characteristics of our hybrid bond such as a long maturity date and subordination to all senior and debt obligations.

<sup>5</sup> 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 Consolidated Financial Statements in our Annual Report.

<sup>6</sup> 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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