Reconciliation and Definitions for Non-GAAP Measures

Group profit from Operations is reconciled to Income before income taxes of Operations under Reconciliation to financial statements on the table Segment information. See our Financial Publications at our Investor Relations website under www.siemens.com.

Return on Capital Employed (ROCE) is a measure of how capital invested in the Company or the Group yields competitive returns.

For the **Company, ROCE** is calculated as Net income (before interest) divided by average Capital employed (CE). Net income (before interest) is defined as Net income excluding Other interest income (expense), net and excluding taxes on Other interest income (expense), net. Taxes on Other interest income (expense), net are calculated in simplified form by applying the current tax rate which can be derived from the Consolidated Statements of Income, to Other interest income (expense), net. CE is defined as Total equity plus Long-term debt plus Short-term debt and current maturities of long-term debt minus Cash and cash equivalents. Because Siemens reports discontinued operations, Siemens also calculates ROCE on a continuing operations basis, using Income from continuing operations rather than Net income. For purposes of this calculation, CE is adjusted by the net figure for Assets classified as held for disposal less Liabilities associated with assets classified as held for disposal.

For the **Operations Groups, ROCE** is calculated as Group profit divided by average Net capital employed (NCE). Group profit for the Operations Groups is principally defined as earnings before financing interest, certain pension costs and income taxes. Group profit excludes various categories of items which are not allocated to the Groups since the Managing Board does not regard such items as indicative of the Groups' performance. NCE for the Operations Groups is defined as total assets less tax assets, provisions and non-interest bearing liabilities other than tax liabilities.
Average (Net) Capital employed for the fiscal year is calculated as a "five-point average" obtained by averaging the (Net) Capital employed at the beginning of the first quarter plus the final figures for all four quarters of the fiscal year. For the calculation of the average during for the quarters, see below:

Average calculation for CE*:

Year-to-Date	
Q1	2 Point average: (CE ending Q4 Prior year + CE ending Q1) / 2
Q2	3 Point average: (CE ending Q4 Prior year + CE ending Q1 + CE ending Q2) / 3
Q3	4 Point average: (CE ending Q4 Prior year + CE ending Q1 + CE ending Q2 + CE ending Q3) / 4

Quarter-to-Date	
Q1	2 Point average: (CE ending Q4 Prior year + CE ending Q1) / 2
Q2	2 Point average: (CE ending Q1 + CE ending Q2) / 2
Q3	2 Point average: (CE ending Q2 + CE ending Q3) / 2
Q4	2 Point average: (CE ending Q3 + CE ending Q4) / 2

* NCE for Operations Groups.

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Our cash target is based on the Cash Conversion Rate (CCR), which serves as a target indicator for the Company's or the Group's cash flow.
For the Company, CCR is defined as the ratio of Free cash flow to Net income, where Free cash flow equals the Net cash provided by (used in) operating activities less Additions to intangible assets and property, plant and equipment.
Because Siemens reports discontinued operations, this measure is also shown on a continuing operations basis, using Income from continuing operations, Net cash provided by (used in) operating activities – continuing operations and Additions to intangible assets and property, plant and equipment for continuing operations for the calculation.
For the Groups, CCR is defined as Free cash flow divided by Group profit.

All values needed for the calculation of ROCE and CCR can be obtained from the Consolidated Financial Statements and Notes to Consolidated Financial Statements.
Group profit, Net capital employed and Free cash flow for the Company and the Groups can be found on the table Segment information. Our Consolidated Financial Statements are available on our Investor Relations website under www.siemens.com.

Siemens ties a portion of its executive incentive compensation to achieving economic value added (EVA) targets. EVA measures the profitability of a business (using Group profit for the Operating Groups and Income before income taxes for the Financing and Real estate businesses as a base) against the additional cost of capital used to run a business (using NCE for the Operating Groups and risk-adjusted equity for the Financing and Real estate businesses as a base). A positive EVA indicates that a business has earned more than its cost of capital, and is therefore defined as value-creating. A negative EVA indicates that a business is earning less than its cost of capital and is therefore defined as value-destroying. Other organizations that use EVA may define and calculate EVA differently.

To measure Siemens' achievement of the goal to grow at twice the rate of global GDP, we use GDP on real basis (i.e. excluding inflation and currency translation effects) with data provided by Global Insight Inc. and compare those growth rates with growth rates of our revenue (under IFRS). In accordance with IFRS, our revenue numbers are not adjusted by inflation and currency translation effects.

Return on equity (ROE) margin for SFS was calculated as SFS' Income before income taxes divided by the allocated equity for SFS. Allocated equity for SFS for the financial year 2007 is €1.041 billion.
The allocated equity for SFS is determined and influenced by the respective credit ratings of the rating agencies and by the expected size and quality of its portfolio of leasing and factoring assets and equity investments and is determined annually. This allocation is designed to cover the risks of the underlying business and is in line with common credit risk management standards in banking. The actual risk profile of the SFS portfolio is monitored and controlled monthly and is evaluated against the allocated equity.

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