

# Siemens Q4 FY07

## Flashlight

*The Annual Analyst Conference will take place in London, on November 9, at 11 a.m. UK time, and will be webcast on [www.siemens.com/investorrelations](http://www.siemens.com/investorrelations)*

*The Press Conference will take place in Munich, on November 8, at 10 a.m. CET, and will be webcast on [www.siemens.com/press](http://www.siemens.com/press)*

## Safe Harbour Statement

This document contains forward-looking statements and information – that is, statements related to future, not past, events. These statements may be identified by words such as “expects,” “looks forward to,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “will” or words of similar meaning. Such statements are based on our current expectations and certain assumptions, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens’ control, affect its operations, performance, business strategy and results and could cause the actual results, performance or achievements of Siemens worldwide to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For us, particular uncertainties arise, among others, from: changes in general economic and business conditions (including margin developments in major business areas); the challenges of integrating major acquisitions and implementing joint ventures and other significant portfolio measures; changes in currency exchange rates and interest rates; introduction of competing products or technologies by other companies; lack of acceptance of new products or services by customers targeted by Siemens worldwide; changes in business strategy; the outcome of pending investigations and legal proceedings; our analysis of the potential impact of such matters on our financial statements; as well as various other factors. More detailed information about our risk factors is contained in Siemens’ filings with the SEC, which are available on the Siemens website, [www.siemens.com](http://www.siemens.com), and on the SEC’s website, [www.sec.gov](http://www.sec.gov). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Siemens does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

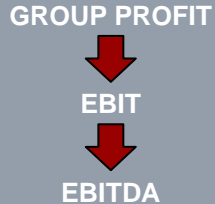

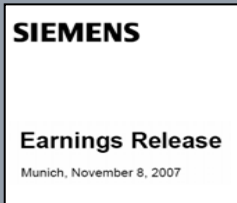
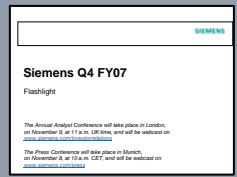
EBITDA (adjusted), Return on capital employed, Free cash flow, Cash conversion and Net debt are Non-GAAP financial measures. A reconciliation of these amounts to the most directly comparable IFRS financial measures is available on our Investor Relations website under [www.siemens.com/ir](http://www.siemens.com/ir), Financial Publications, Quarterly Reports. "Group profit from operations" is reconciled to "Income before income taxes" of Operations under "Reconciliation to financial statements" in the table "Segment Information."

## Highlights

- **Announced €10bn share buyback by 2010**
    - Leverage target of 0.8x – 1.0x adjusted industrial net debt/ EBITDA by 2010
    - Current leverage after adjustments at -0.1x
  - **Expect comments on margin targets**
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- **Q4 Group Profit from Operations of €1.990 bn**
    - **Outperforms** strong **Q2 result** of this year
    - **All Groups** within **Fit4 2010** target margin ranges
    - Significant **margin expansion** of key businesses
  - Strong organic **Q4 top-line growth**<sup>1)</sup> (new orders **+19%**, sales **+8%**) shows strong competitive position in attractive markets
  - **Exceed** ambitious **cash conversion target**  
(Q4 cash conversion rate of **1.83** compared to target of 0.92)
  - Improvement of **RoCE** from 9.6% in FY06 to **12.7%** in FY 07

1) Y-o-Y on a comparable basis excluding currency translation and portfolio effects, i.e. excluding Siemens VDO

# We enhanced the transparency of our disclosure ... more to come!

	<ul style="list-style-type: none"> <li>▪ <b>Bridge from Group Profit to EBIT and EBITDA</b> <ul style="list-style-type: none"> <li>▪ Disclosure of Equity Investment Income by Group</li> <li>▪ Disclosure of Financial Interest included in Group Profit by Group</li> <li>▪ (D&amp;A as reported in the Segment Reporting)</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>▪ <b>Regional Revenue Split by Group</b> <ul style="list-style-type: none"> <li>▪ Q4 FY07 and FY07</li> <li>▪ Semi-annual updates</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>▪ Additional transparency in the <b>Earnings Release</b> <ul style="list-style-type: none"> <li>▪ <b>"Performance Dashboard"</b> replaces "Key Figures"</li> <li>▪ <b>Focus on Q4</b> instead of FY07</li> <li>▪ Material <b>PPA and integration costs</b> by Group</li> <li>▪ <b>More detailed disclosure</b> on Other Operations, Corporate Items and Discontinued Ops</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>▪ <b>Flashlight</b> <ul style="list-style-type: none"> <li>▪ Summary of key items out of the Earnings Release</li> <li>▪ Adjusted Q1-Q4 FY07, including VDO in Discontinued Operations</li> <li>▪ NSN bridge</li> </ul> </li> </ul>

## Key Items from the Earnings Release relating to Q4 (I)

Operating Businesses	Operating Businesses (Continued)
<ul style="list-style-type: none"> <li>▪ <b>A&amp;D</b> <ul style="list-style-type: none"> <li>– €(63)m PPA and €(12)m integration costs (Flender, UGS)</li> <li>– 170 bps effect on the group profit margin</li> <li>– <i>FY07: €(143)m PPA and €(23)m integration costs (Flender, UGS), 110 basis points effect on group margin</i></li> </ul> </li> <li>▪ <b>PG</b> <ul style="list-style-type: none"> <li>– Reported margin representative of underlying performance</li> <li>– €(37)m negative equity income from Areva NP in Q4</li> <li>– <i>Q4 06: margin lost more than 500 bps due to charges at major projects and a negative equity income from Areva of €(52)m</i></li> <li>– <i>FY07: 60 bps net effect on group profit margin from charges, negative equity investment income (incl. €(45)m for Areva), and positive one-offs</i></li> </ul> </li> <li>▪ <b>PTD</b> <ul style="list-style-type: none"> <li>– €25m positive hedging effects will be reversed by the back end of the hedge in coming quarters</li> <li>– <i>Q4 06: included severance charges</i></li> </ul> </li> <li>▪ <b>Medical</b> <ul style="list-style-type: none"> <li>– €(21)m PPA and €(55)m integration costs (Bayer, DPC)</li> <li>– 270 bps effect on the group profit margin</li> <li>– <i>FY07: total of €(91)m PPA and €(84)m integration costs, a 180 bps effect, associated with the acquisitions of Bayer and DPC</i></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>SIS</b> <ul style="list-style-type: none"> <li>– <i>Q4 06: Includes €(180)m severance charges</i></li> <li>– <i>FY 06: Includes €(576)m severance charges</i></li> </ul> </li> <li>▪ <b>Osram</b> <ul style="list-style-type: none"> <li>– <i>Q4 06: Included higher severance charges, not quantified</i></li> </ul> </li> </ul>
	SEI and Other Operations
	<ul style="list-style-type: none"> <li>▪ <b>SEI:</b> loss of €(11)m <ul style="list-style-type: none"> <li>– Includes NSN equity investment loss of €(58)m, see page 8 for a bridge between NSN operating profit and Siemens equity investment loss</li> </ul> </li> <li>▪ <b>Other Operations:</b> loss of €(71) million <ul style="list-style-type: none"> <li>– Centrally carried regional costs totalled €(45)m in Q4</li> <li>– Also includes centrally held operating businesses not related to a Group, e.g. SHC</li> </ul> </li> </ul>

## Key Items from the Earnings Release relating to Q4 (II)

### Central Items, Pensions & Eliminations

- **Central items, pensions & eliminations:** costs of €(451)m
  - Corporate items of €(484)m, of which €(85)m investigation costs (€(159)m for Continuing Operations and Discontinued Operations in total) and €(108)m related to the German sales organisation (primarily impairment)  
*FY07: €843m in costs for major legal and regulatory matters, including fines (see page 14 of the Earnings Release for further details)*
  - Centrally carried pension expense was a positive €39m; pension underfunding as of year-end of €1bn

### SRE, Corporate Treasury

- **SRE:** €48m income before taxes
  - „Benefited from higher gains on sales of real estate“, not quantified
- **Corporate Treasury:** €19m income before taxes in „Eliminations, Reclassifications and Corporate Treasury“
  - Beneficial effects from Siemens' repurchase of outstanding notes from a €2.5bn convertible bond

### Discontinued Operations

- **Total loss:** €(1,468)m
- **SV activities:** €(861)m negative result
  - €(1.0)bn in tax expense associated with the carve-out of SV
  - € 143 Group Profit of SV
- **Com activities:** €(588)m negative result
  - €(115)m operating loss at Com activities
  - €(201)m penalty imposed by the German authorities in ending their investigation of past misconduct at former Com
  - €(64)m impairment at EN
  - ~€(0.1)bn reduction of Q3's non-cash pre-tax gain of approx. €1.7bn generated by the transfer of Com assets into NSN

## Overview of Quarterly Numbers by Group – Orders

	ORDERS							
	Q4 FY 06	Q1 FY07	Q2 FY07	Q3 FY 07	Q4 FY 07	Y-o-Y Growth	Y-o-Y Comp. Growth	Q-o-Q Growth
SIS	1.266	1.361	1.106	1.094	1.595	26%	27%	46%
A&D	3.520	4.019	4.154	4.270	4.351	24%	18%	2%
I&S	2.129	3.057	2.434	2.502	2.168	2%	3%	-13%
SBT	1.402	1.386	1.364	1.269	1.331	-5%	-2%	5%
PG	2.738	5.017	5.017	3.942	4.012	47%	46%	2%
PTD	1.683	3.146	2.476	2.392	1.882	12%	14%	-21%
TS	743	1.219	714	658	2.189	195%	202%	233%
Med	2.994	2.211	2.544	2.517	2.999	0%	-11%	19%
Osram	1.110	1.174	1.189	1.124	1.203	8%	12%	7%
SEI								
Other Operations	958	752	824	667	587	-39%	-21%	-12%
<b>Total Operations Groups</b>	<b>18.543</b>	<b>23.342</b>	<b>21.822</b>	<b>20.435</b>	<b>22.317</b>	<b>20%</b>	<b>19%</b>	<b>9%</b>
Corporate items, pensions and eliminations	-1.217	-1.352	-1.195	-1.183	-1.219			
Other interest expense								
<b>Total Operations</b>	<b>17.326</b>	<b>21.990</b>	<b>20.627</b>	<b>19.252</b>	<b>21.098</b>			
SFS	169	178	177	168	198	17%	19%	18%
SRE	446	421	414	416	435	-2%	-2%	5%
Eliminations	-3	-3	-4	-3	-3			
<b>Total Financing and Real Estate</b>	<b>612</b>	<b>596</b>	<b>587</b>	<b>581</b>	<b>630</b>			
Eliminations, Reclassifications and Corporate Treasury	-363	-342	-364	-339	-400			
<b>SIEMENS</b>	<b>17.575</b>	<b>22.244</b>	<b>20.850</b>	<b>19.494</b>	<b>21.328</b>	<b>21%</b>	<b>19%</b>	<b>9%</b>

## Overview of Quarterly Numbers by Group - Revenues

	REVENUES							
	Q4 FY 06	Q1 FY07	Q2 FY07	Q3 FY 07	Q4 FY 07	Y-o-Y Growth	Y-o-Y Comp. Growth	Q-o-Q Growth
SIS	1.424	1.314	1.351	1.257	1.438	1%	2%	14%
A&D	3.609	3.390	3.711	3.885	4.403	22%	16%	13%
I&S	2.477	2.073	2.172	2.149	2.500	1%	2%	16%
SBT	1.403	1.213	1.335	1.161	1.353	-4%	-1%	17%
PG	2.924	2.726	3.072	2.863	3.533	21%	21%	23%
PTD	1.839	1.728	1.756	1.922	2.283	24%	25%	19%
TS	1.446	1.073	1.161	1.006	1.212	-16%	-12%	20%
Med	2.359	2.102	2.470	2.431	2.848	21%	6%	17%
Osram	1.110	1.174	1.189	1.124	1.203	8%	12%	7%
SEI								
Other Operations	1.012	800	743	678	663	-34%	-16%	-2%
<b>Total Operations Groups</b>	<b>19.603</b>	<b>17.593</b>	<b>18.960</b>	<b>18.476</b>	<b>21.436</b>	<b>9%</b>	<b>8%</b>	<b>16%</b>
Corporate items, pensions and eliminations	-1.332	-1.091	-1.176	-1.189	-1.456			
Other interest expense								
<b>Total Operations</b>	<b>18.271</b>	<b>16.502</b>	<b>17.784</b>	<b>17.287</b>	<b>19.980</b>			
SFS	169	177	177	168	198	17%	19%	18%
SRE	446	421	414	416	435	-2%	-2%	5%
Eliminations	-3	-3	-4	-3	-3			
<b>Total Financing and Real Estate</b>	<b>612</b>	<b>595</b>	<b>587</b>	<b>581</b>	<b>630</b>			
Eliminations, Reclassifications and Corporate Treasury	-412	-368	-370	-351	-409			
<b>SIEMENS</b>	<b>18.471</b>	<b>16.729</b>	<b>18.001</b>	<b>17.517</b>	<b>20.201</b>	<b>9%</b>	<b>8%</b>	<b>15%</b>

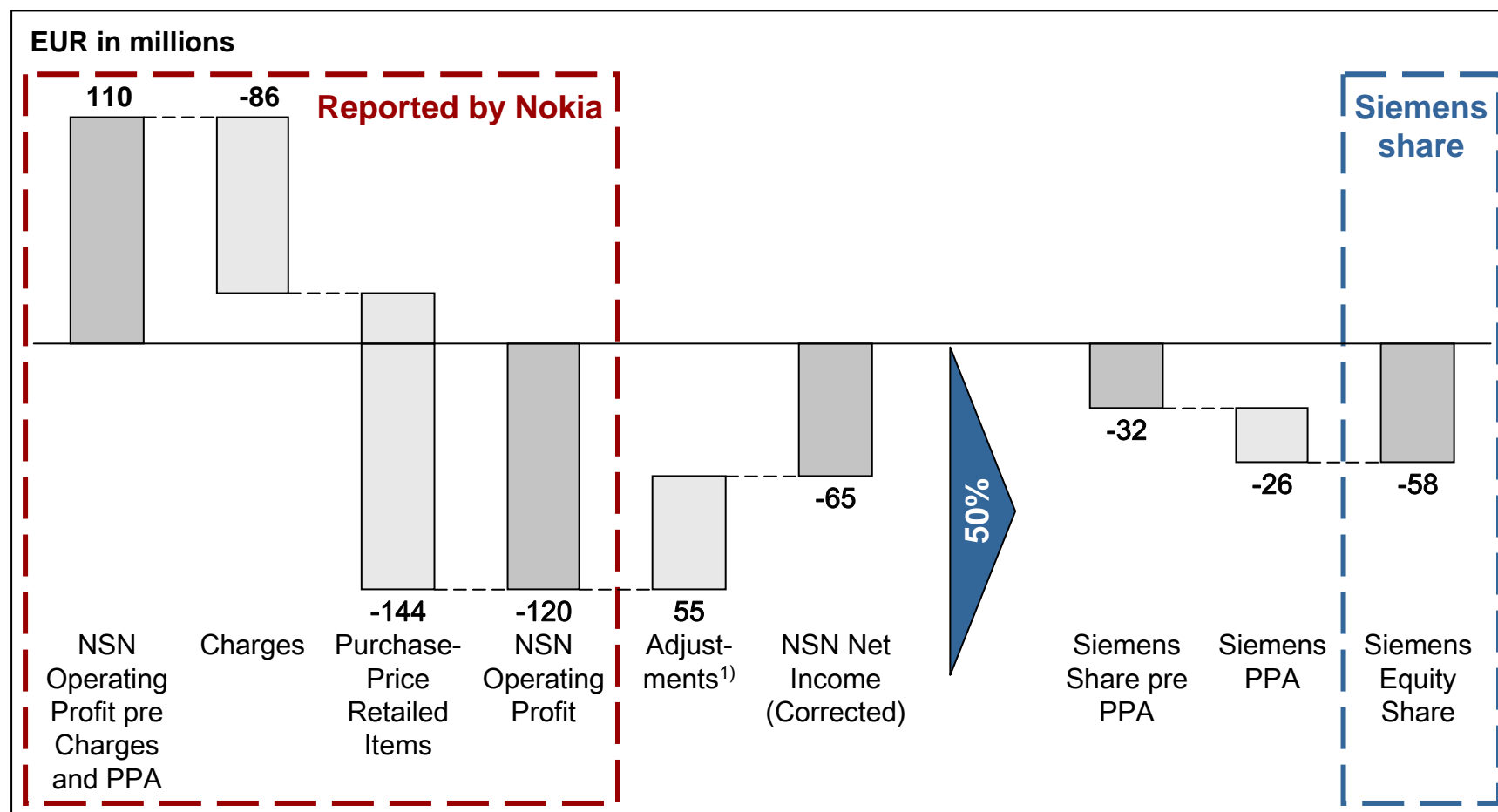


## Overview of Quarterly Numbers by Group - Profitability

	GROUP PROFIT					GROUP PROFIT MARGIN				
	Q4 FY 06	Q1 FY07	Q2 FY07	Q3 FY 07	Q4 FY 07	Q4 FY 06	Q1 FY07	Q2 FY07	Q3 FY 07	Q4 FY 07
SIS	-230	26	80	66	80	-16,2%	2,0%	5,9%	5,3%	5,6%
A&D	427	450	528	507	607	11,8%	13,3%	14,2%	13,1%	13,8%
I&S	61	90	100	95	130	2,5%	4,3%	4,6%	4,4%	5,2%
SBT	77	72	100	80	102	5,5%	5,9%	7,5%	6,9%	7,5%
PG	122	169	330	290	358	4,2%	6,2%	10,7%	10,1%	10,1%
PTD	54	130	143	152	225	2,9%	7,5%	8,1%	7,9%	9,9%
TS	19	47	58	24	62	1,3%	4,4%	5,0%	2,4%	5,1%
Med	266	304	332	307	380	11,3%	14,5%	13,4%	12,6%	13,3%
Osram	86	123	125	116	128	7,7%	10,5%	10,5%	10,3%	10,6%
SEI	75	52	99	-301	-11					
Other Operations	-208	22	-98	-46	-71	-20,6%	2,8%	-13,2%	-6,8%	-10,7%
<b>Total Operations Groups</b>	<b>749</b>	<b>1.485</b>	<b>1.795</b>	<b>1.290</b>	<b>1.990</b>	<b>3,8%</b>	<b>8,4%</b>	<b>9,5%</b>	<b>7,0%</b>	<b>9,3%</b>
Corporate items, pensions and eliminations	-493	-658	-183	-380	-451					
Other interest expense	-77	-88	-141	-151	-117					
<b>Total Operations</b>	<b>179</b>	<b>739</b>	<b>1.471</b>	<b>759</b>	<b>1.422</b>					
SFS	120	83	137	57	52	42,4%	31,9%	52,5%	21,9%	20,0%
SRE	13	69	42	69	48					
Eliminations										
<b>Total Financing and Real Estate</b>	<b>133</b>	<b>152</b>	<b>179</b>	<b>126</b>	<b>100</b>					
Eliminations, Reclassifications and Corporate Treasury	-4	46	31	57	19					
<b>Siemens Pre-Tax Profit</b>	<b>308</b>	<b>937</b>	<b>1.681</b>	<b>942</b>	<b>1.541</b>					
<b>Taxes</b>	<b>-169</b>	<b>-316</b>	<b>-395</b>	<b>-334</b>	<b>-147</b>					
<b>Income Continuing Operations</b>	<b>139</b>	<b>621</b>	<b>1.286</b>	<b>608</b>	<b>1.394</b>					
<b>Discontinued Operations</b>	<b>9</b>	<b>167</b>	<b>-27</b>	<b>1.457</b>	<b>-1.468</b>					
<b>Net Income "All-In"</b>	<b>148</b>	<b>788</b>	<b>1.259</b>	<b>2.065</b>	<b>-74</b>					

Percentage values for SFS show return on equity.

## Bridge from NSN Operating Profit to Siemens At Equity Income



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

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## Reconciliation and Definitions for Non-GAAP Measures (I)

**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/ir](http://www.siemens.com/ir).

**Earnings before interest and taxes (EBIT)(adjusted)** 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.

**Earnings before interest, taxes, depreciation and amortization (EBITDA) (adjusted)** is EBIT before Depreciation and Amortization, defined as amortization and impairments of intangible assets depreciation and impairments of property, plant and equipment.

Group profit is reconciled to EBIT and EBITDA on the table Segment Information Analysis (II). See our Financial Publications at our Investor Relations website under [www.siemens.com/ir](http://www.siemens.com/ir).

**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 included in discontinued operations less Liabilities associated with assets classified as held for disposal included in discontinued operations.

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:

## Reconciliation and Definitions for Non-GAAP Measures (II)

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

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/ir](http://www.siemens.com/ir).

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.

## Reconciliation and Definitions for Non-GAAP Measures (III)

Our capital structure target is based on an **Adjusted industrial net debt** divided by EBITDA (adjusted). For the calculation of Adjusted industrial net debt, we subtract from Net debt (defined as Long-term debt plus Short-term debt and current maturities of long-term debt less Cash and cash equivalents less Available-for-sale financial assets) (1) SFS debt excluding SFS internally purchased receivables and (2) 50% of the nominal amount of our hybrid bond; and add/subtract (3) Funded status of Pension benefits, (4) Funded status of Other post-employment benefits; and add (5) Credit guarantees. The components of Net debt are available on our Consolidated Balance Sheets, SFS debt less internally purchased receivables is available in our Management Discussion & Analysis under Capital Resources and Requirements. The Funded status of our principle pension plans and Other post-employment benefits, the amount of credit guarantees and the nominal amount of our Hybrid bond is available in the Notes to our Consolidated Financial Statements.

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.

Group profit from Operations, EBIT (adjusted), EBITDA (adjusted), ROCE, CCR, EVA and Adjusted industrial net debt are or may be Non-GAAP financial measures as defined in relevant rules of the U.S. Securities and Exchange Commission. Our management takes these measures, among others, into account in its management of our business, and for this reason we believe that investors may find it useful to consider these measures in their evaluation of our performance. None of Group profit from Operations, EBIT (adjusted), EBITDA (adjusted), ROCE and EVA should be viewed in isolation as an alternative to IFRS net income for purposes of evaluating our results of operations; CCR should not be viewed in isolation as an alternative to measures reported in our IFRS cash flow statement for purposes of evaluating our cash flows; and Adjusted industrial net debt should not be viewed in isolation as an alternative to liabilities reported in our IFRS balance sheet for purposes of evaluating our financial condition.