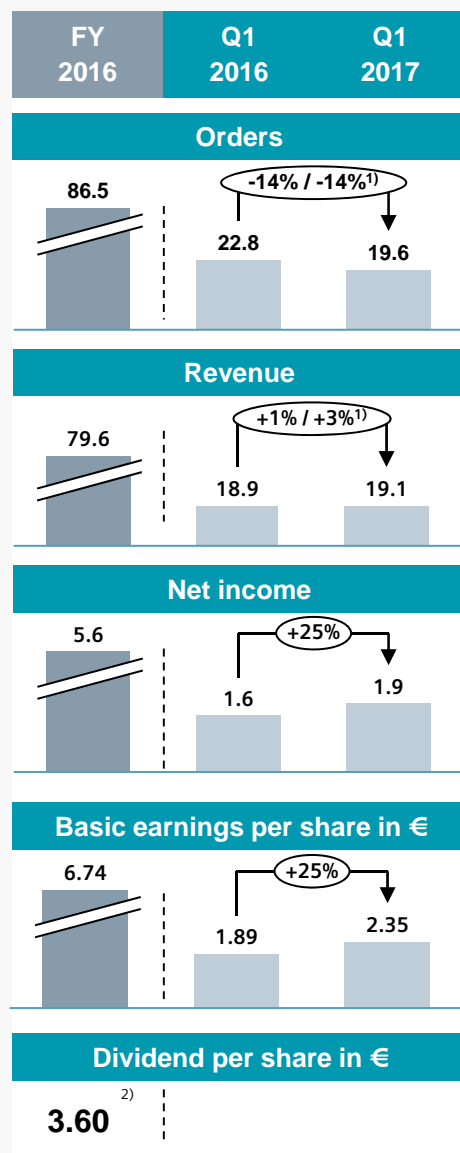


# Shareholder Letter

## February 2017

### Selected Key Figures

(in € billion, except where otherwise stated)



1) Changes are adjusted for currency translation and portfolio effects  
2) Approved dividend at the Annual shareholders' Meeting on February 1, 2017

Ladies and Gentlemen, dear Shareholders,



Siemens held its Annual Shareholders' Meeting 2017 on February 1, 2017. Prior to the event Siemens CEO Joe Kaeser and CFO Ralf Thomas reviewed together with Managing Board members the results for the first quarter of fiscal 2017, which were released the evening before.

After a strong start into the fiscal year, the Managing Board of Siemens AG decided to increase the full year

guidance for fiscal 2017. Siemens raised the previous expectation for the profit margin of Industrial Business in the range of 10.5% to 11.5% to the range of 11.0% to 12.0%. Furthermore, Siemens raised the previous expectations for basic EPS from net income in the range of €6.80 to €7.20 to the range of €7.20 to €7.70.

"With a strong first quarter and a considerably raised outlook for fiscal 2017, we are sending a clear signal. I am proud of my global Siemens team that has been working hard and has delivered convincing success. We will continue to rigorously execute our strategy program Vision 2020 to even further strengthen our innovation power and customer proximity," said Joe Kaeser.

In the first quarter of fiscal 2017, orders were €19.6 billion, as expected 14% below the prior-year quarter on a comparable basis. The prior year quarter included a higher volume from large orders. Benefiting from a strong performance by short-cycle businesses, revenue with €19.6 billion was up 3% on a comparable basis. Net income was up 25%, at €1.9 billion, with corresponding earnings per share of €2.35 (+25%).

At the Annual Shareholders' Meeting nearly 100% of the shareholders approved the resolutions. 53.78% of the voting capital was represented in the Olympiahalle in Munich. This was the highest presence for more than 20 years. Further interesting facts about the Annual Shareholders' Meeting can be found in the FAQ section on page 5.

Furthermore Siemens set the course for long-term succession planning and continuity in Siemens' Supervisory Board. The Nominating Committee of the Supervisory Board of Siemens AG has recommended Jim Hagemann Snabe for the office of Supervisory Board Chairman. The regular elections to Siemens' Supervisory Board will take place at the company's Annual Shareholders' Meeting on January 31, 2018. Mr. Snabe is to be elected Chairman at the Supervisory Board's constitutive meeting immediately thereafter, following Dr. Gerhard Cromme (further [information](#)).

There are good news from the megaproject in Egypt. The first phase of the megaproject in Egypt has been finalized. The promised goal of bringing 4.4 gigawatts (GW) of new capacity to the grid has even been exceeded by 10%, and 4.8 GW are already connected to the grid. Siemens has set a new worldwide benchmark for the execution of fast-track power projects (further [information](#)).

At the beginning of December Siemens demonstrated at its Digitalization and Innovation Day how Siemens is moving full speed ahead in shaping the digital transformation and that it is a leader in this field. Further information can be found in our Feature Topic on page 4.

Dear Shareholders, I want to thank you for your trust and interest in Siemens. Please enjoy reading this issue of the shareholder letter.

Kind regards,

Head of Investor Relations, Siemens AG

## Share Performance

### Share performance on February 1, 2017 (Quarterly results publication)

Following strong Q1 results and an increased guidance for fiscal 2017 the Siemens share (+5.6%) clearly outperformed the DAX (+1.1%).

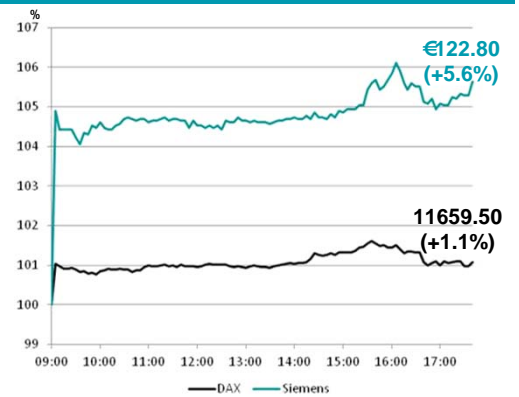
### Share performance November 11, 2016 – February 1, 2017

Since the release of the Q4 fiscal 2016 results the investor behavior was influenced by the US presidential election. From mid of December, a „Trump-Rallye“ followed. The Siemens share participated from the positive development of the market environment and developed therefore slightly better than the DAX.

### Siemens share in comparison to its main competitors

In comparison to the main competitors and the DAX, the Siemens share (+12%) performed between November 10, 2016 and February 1, 2017 better than Toshiba (-39%), GE (-3%), Schneider (+7%) and the DAX (+10%). ABB (+12%) and Rockwell (+13%) performed similar to Siemens.

### Share price development on February 1, 2017



For further information:

[http://www.siemens.com/investor/en/siemens\\_share.htm](http://www.siemens.com/investor/en/siemens_share.htm)

## News from our Industrial Business

The information below is a selection of press releases published by Siemens Divisions during the last quarter. A complete overview of all publications can be found [here](#)

### Power and Gas

- Revenue growth driven by strong execution from the backlog, particularly including large orders in Egypt
- Profitability influenced by improved project execution, higher profitability in the service business and lower severance charges

#### Siemens is supplying nine gas turbines to Argentina



Siemens has received orders from Argentina for a total of 7 SGT-800 industrial gas turbines and 2 Industrial Trent 60 gas turbines. The 9 turbines will provide a combined electrical capacity of approximately 500 MW and help fighting the electricity shortfall in Argentina. The SGT-800 turbines were ordered by Albanesi S.A., and the aeroderivative Industrial Trent 60 machines by SoEnergy. (for further information, please click [here](#))

for Division information, please click [here](#)

### Wind Power and Renewables

- Revenue growth in all businesses, most pronounced in the offshore business in Europe
- Strong profitability driven by the revenue increase, higher productivity, positive effects related to project execution, higher capacity utilization, and a larger contribution from the service business

#### Siemens wins first offshore wind project in Belgium



Siemens has successfully entered the offshore wind market in Belgium with a first order for the 309 MW Rentel wind project. The customer is Rentel NV. Siemens will supply, install, commission and service 42 wind turbines of the large 7 MW direct drive platform. The output of the Rentel offshore wind power plant will be sufficient to supply approximately 300,000 households in Belgium with clean power. (for further information, please click [here](#))

for Division information, please click [here](#)

### Energy Management

- Revenue growth with increases in nearly all businesses
- Higher profit in a majority of businesses led by the high voltage products and transmission solutions businesses

#### Amprion and Elia award Siemens with HVDC contract for ALEGrO interconnector



Amprion and Elia have signed the contract with Siemens who will deliver 2 high-voltage direct-current (HVDC) converter stations for the first electricity interconnector between Germany and Belgium. The order volume for Siemens including a 5-year maintenance agreement amounts to €273 million. Siemens will be responsible for the system design and the supply, installation and commissioning of all components for both converter stations. (for further information, please click [here](#))

for Division information, please click [here](#)

## News from our Industrial Business

### Building Technologies

- Robust order intake in recent periods lifted revenue across the businesses and in all reporting regions
- Profit growth supported by higher revenue and productivity increases particularly in the product business

#### Siemens improves energy efficiency of largest museum in Southern Hemisphere



Siemens was awarded the contract to comprehensively upgrade the lighting, water and cooling systems of the museum organization. The Energy Performance Contracting (EPC) agreement has a value of €4.2 million. The investments will be paid back over seven years through the energy savings achieved. (for further information, please click [here](#))

*for Division information, please click [here](#)*

### Mobility

- Decline in revenue particularly in the rolling stock business due to timing factors related to the execution of large rail projects
- Profit decline due mainly to lower revenue; solid project execution kept profitability on a high level

#### Siemens to manufacture 45 light rail vehicles for San Diego



Siemens has received an order for 45 new S70 light rail vehicles (LRVs) from the San Diego Metropolitan Transit System (MTS). The new vehicles will allow service enhancements on existing rail lines and provide the necessary LRVs to operate the 11-mile extension of the UC San Diego Blue Line that is now under construction. This order will bring the total number of vehicles supplied to MTS to 244, making MTS the largest U.S. light rail customer for Siemens. The first vehicles are expected to arrive in late 2018. (for further information, please click [here](#))

*for Division information, please click [here](#)*

### Digital Factory

- Revenue up in all regions including double-digit increases in China; volume growth particularly in the Division's short cycle businesses
- Profit and profitability increased significantly in the high-margin short-cycle businesses

#### Accenture to create Apps on Siemens MindSphere for Industrial Companies



Accenture is building a range of applications for MindSphere, a cloud based platform from Siemens to enable industrial equipment makers to benefit from new services based on data insights. Accenture is aiming to support original equipment manufacturers (OEMs) by building a suite of applications for MindSphere to enable new digital services, such as predictive maintenance or remote condition monitoring. (for further information, please click [here](#))

*for Division information, please click [here](#)*

### Process Industries and Drives

- Ongoing weakness in commodity-related markets as expected continues to impact revenue development, but book-to-bill ratio came in above 1; demand for wind power components remains strong

#### Electric motor from Siemens sets new world climb record



On November 25, 2016, the Extra 330LE aerobatic aircraft powered by a drive system from Siemens set a new world record for time to climb. At the Dinslaken Schwarze Heide airfield in Germany, the electric-powered plane reached an altitude of 3,000 meters in just four minutes and 22 seconds – a climb velocity of 11.5 meters per second. The time set by pilot Walter Extra was 1 minute 10 seconds faster than the previous world record set by U.S. pilot William M. Yates in 2013. (for further information, please click [here](#))

*for Division information, please click [here](#)*

### Healthineers

- Revenue was level with the strong prior-year quarter
- Strong first quarter for profit with broad-based earnings increases

#### Siemens Healthineers introduces innovative robot-supported Artis pheno angiography system



Siemens Healthineers presented this year's Annual Meeting of the Radiological Society of North America the innovative robot-supported Artis pheno angiography system. Artis pheno was developed for use in minimally invasive surgery, interventional radiology and interventional cardiology. The zen40HDR flat panel detector and the GIGALIX X-ray tube give the Artis pheno outstanding image quality. (for further information, please click [here](#))

*for Division information, please click [here](#)*





**SIEMENS**  
Ingenuity for life

## Shaping Digitalization. Innovation at Siemens 2016

On December 7, 2016, our new CTO Roland Busch and other representatives of the management team explained how Siemens is moving full speed ahead in shaping the digital transformation – with groundbreaking innovations, open collaboration, and ingenious minds. For example they highlighted Siemens strengths in areas such as Siemens software, digital platforms and digital services. In addition they also informed on the current status of the new start-up unit next47. Prior to this, our "Inventors of the Year 2016" were honored on the evening of December 6 – highlighting ingenious minds inside and for the first time also outside Siemens.



Dr. Roland Busch

**Siemens wants to further strengthen its position as a digital company** and achieve double-digit growth in software, digital services and cloud platforms every year through 2020. In fiscal 2016, Siemens generated revenue of more than €1 billion with digital services and around €3.3 billion with software solutions, an increase year-over-year of around 12 %, which is considerably above annual market growth of some 8 %.

**The new MindSphere cloud platform, which Siemens is now rolling out companywide, will be a growth driver.** It will enable Siemens for the first time to offer customers in sectors ranging from industry to rail operation a cloud-based, open operating system for the Internet of Things. It will also make it possible to develop and operate apps and digital services on MindSphere. To take just one example: the immense data volumes generated at a production facility or a company can be swiftly and efficiently collected, evaluated and utilized to improve, for instance, system performance and availability. The new technology also helps customers evaluate and leverage data to achieve new insights. For example, it paves the way for completely new business models such as the sale of machine hours.



MindSphere exposition

**Siemens is working with IBM to further simplify the data analysis functions of MindSphere for customers.** The companies are planning to integrate the data analysis service IBM Watson Analytics and further analysis tools into MindSphere. This is designed to give business customers access to visualization functions and dashboards, while app developers and data analysts will be able to use analytics technologies via interfaces. IBM is also planning to develop apps for MindSphere – for example in the area of predictive maintenance.

**To further strengthen its power of innovation, Siemens is planning to increase its investments in research and development (R&D) in fiscal 2017 by some €300 million to around €5 billion.** Since fiscal 2014, the company's R&D investments have grown by about 25 %. A major part of these additional funds are earmarked for automation, digitalization, decentralized energy systems and the **new venturing unit next47**. Research intensity, which equals the ratio of R&D expenditures to revenue, was 5.9 % in fiscal 2016. This figure will further increase in fiscal 2017.



Lak Ananth, Head of next47



Inventors of the year 2016: Ten researchers with 558 inventions

**Siemens has also improved in the area of patents.** As of September 30, 2016, the company's continuing operations held some 59,800 patents worldwide. At the end of fiscal 2015, the figure was 56,200. In fiscal 2016, Siemens employees submitted about 7,500 invention disclosures – an average of about 30 per workday. The number of R&D employees at the company averaged 33,000 in fiscal 2016 – about 800 more than in the previous year.

for further information on the event, please click [here](#)

## Frequently Asked Questions

On February 1, 2017, the Annual Shareholders' Meeting 2017 of Siemens AG took place at the Olympiahalle in Munich.

### How many notices of the Annual Shareholders' meeting have been sent out by Siemens AG?

Overall Siemens sent out more than 670,000 notices to the shareholders, of which already more than 192,000 were sent via Email. A ratio of approx. 29%. Siemens is with this ratio the number one in the DAX.

### How many Attendees were in the Olympiahalle and how much capital was represented?

Around noon 6.151 attendees were in the Olympiahalle. 53.78% of the voting capital was represented at the Annual Shareholders' Meeting.

### How many times was the Annual Shareholders' Meeting live-stream used?

1,975 people followed the Annual Shareholders' Meeting via live-stream, which is 26% more than the year before.

### How did the shareholders vote in reference to the agenda items?

The shareholders voted with a great majority in favor of the proposed agenda items. 99.51% approved the appropriation of net income (Item 2), 99.52% ratified the acts of the Managing Board (Item 3), 99.28% ratified the acts of the Supervisory Board (Item 4) and 99.87% approved the appointment of independent auditors (Item 5).

### When was the Annual Shareholders' Meeting 2017 closed?

Chairman of the Supervisory Board Dr. Gerhard Cromme closed the Annual Shareholders' Meeting 2017 at 6:07 pm.

(for further information about the Annual Shareholders' Meeting, please click [here](#))

## Financial Calendar

4 May 2017		3 August 2017		9 November 2017	
2nd quarter 2017 financial results		3rd quarter 2017 financial results		4th quarter 2017 financial results	

For further information, please click [here](#)

## We are happy to answer all of your questions

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## How does Siemens assess fiscal 2017?

We anticipate increasing headwinds for macroeconomic growth and investment sentiment in our markets due to the complex geopolitical environment. Therefore, we continue to expect modest growth in revenue, net of effects from currency translation and portfolio transactions. We further continue to anticipate that orders will exceed revenue for a book-to-bill ratio above 1. After a strong start into the fiscal year, we raise our previous expectation for profit and EPS for fiscal 2017. We raise our previous expectation for the profit margin of our Industrial Business in the range of 10.5% to 11.5% to the range of 11.0% to 12.0%. Furthermore, we raise our previous expectation for basic EPS from net income in the range of €6.80 to €7.20 to the range of €7.20 to €7.70.

This outlook assumes continuing stabilization in the market environment for our high-margin short-cycle businesses. It further excludes charges related to legal and regulatory matters as well as potential burdens associated with pending portfolio matters

## Notes and Forward-Looking Statements

This document contains statements related to our future business and financial performance and future events or developments involving Siemens that may constitute forward-looking statements. These statements may be identified by words such as "expect," "look forward to," "anticipate," "intend," "plan," "believe," "seek," "estimate," "will," "project" or words of similar meaning. We may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases. In addition, our representatives may from time to time make oral forward-looking statements. Such statements are based on the current expectations and certain assumptions of Siemens' management, of which many are beyond Siemens' control. These are subject to a number of risks, uncertainties and factors, including, but not limited to those described in disclosures, in particular in the chapter Risks in the Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of Siemens may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Siemens neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

This document includes – in the applicable financial reporting framework not clearly defined – supplemental financial measures that are or may be alternative performance measures (non-GAAP-measures). These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Siemens' net assets and financial positions or results of operations as presented in accordance with the applicable financial reporting framework in its Consolidated Financial Statements. Other companies that report or describe similarly titled alternative performance measures may calculate them differently.

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