

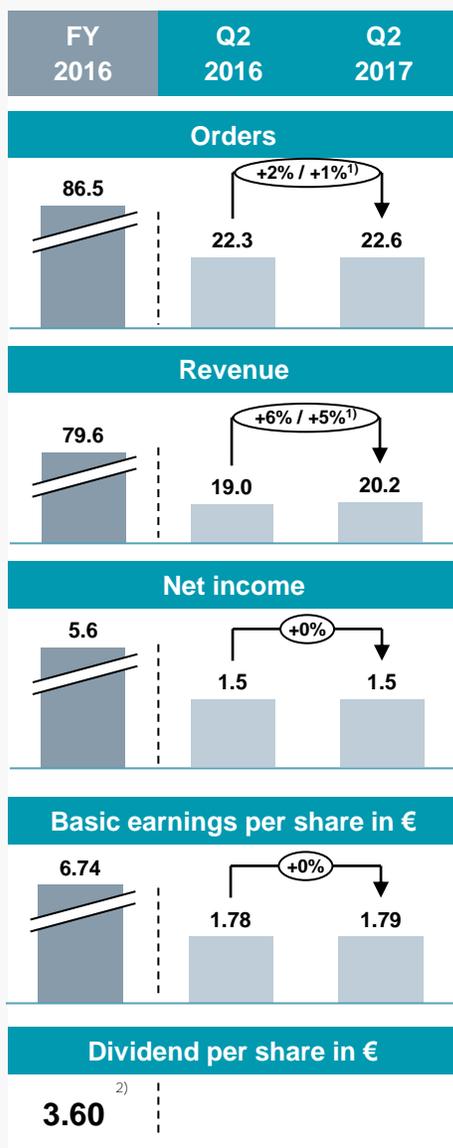
Investor Relations

# Shareholder Letter

## May 2017

### Selected Key Figures

(in € billion, except where otherwise stated)



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

Ladies and gentlemen, dear shareholders,



on May 4<sup>th</sup>, CFO Ralf Thomas presented the results of the second quarter of fiscal 2017 during an analyst conference call.

"We delivered another strong team performance and continue to outperform the markets. In the second half of the fiscal year, we will focus on duly integrating Mentor Graphics and on a successful start of Siemens Gamesa Renewable Energy, while keeping

a close eye on our operational performance. And there is more work to do," said Siemens CEO Joe Kaeser.

In the second quarter of fiscal 2017, orders were at €22.6 billion, up 1% on a comparable basis despite a high basis of comparison including orders totaling €3.1 billion in the prior-year quarter in Egypt. Excluding this megadeal, orders were up 17%. Revenue rose 5% in comparison to Q2 in fiscal 2016, to €20.2 billion on a comparable basis, including a strong performance by short-cycle businesses. Operational performance was excellent with 8 out of 9 Divisions in or above their margin targets. Net income was level at €1.5 billion, despite a higher income tax rate and a lower contribution to net income from discontinued operations. The EPS of €1.79 compared to €1.78 in Q2 of fiscal 2016.

Siemens confirms its expectations for fiscal 2017. But this outlook now includes portfolio changes already closed by the middle of fiscal 2017 (particularly Mentor Graphics and the Gamesa merger), which are expected to burden Industrial Business profit margin and basic EPS from net income in fiscal 2017.

At the beginning of April, Siemens concluded the merger of its wind power business with Gamesa on schedule. A few days before, Siemens completed its acquisition of industry software provider Mentor Graphics earlier than originally planned. You can find further information in our Feature Topics section on page 4.

Another Feature Topic is the Hannover Messe, which is the most important industrial trade show globally. It was held at the end of April. Under the slogan "Discover the value of the Digital Enterprise", Siemens demonstrated how companies of any size can benefit from the digital revolution.

At the end of April, Siemens announced to acquire HaCon, a leading software provider for public transportation, mobility and logistics in order to rigorously continue the implementation of its digitalization strategy. Herewith, Siemens expands its offerings with industry-specific software for the mobility sector. The two parties have agreed not to disclose financial details. Pending the approval of antitrust authorities, the deal is expected to be concluded in the first half of calendar year 2017. ([further information](#))

There were also changes within the Siemens Managing Board on April, 1. Michael Sen and Cedrik Neike were appointed to the Managing Board. Further information can be found on page 5.

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 May 4, 2017 (Quarterly results publication)

Capital market expectations prior to Q2 were already very high due to recent strong results from our peers. While Siemens delivered a very good quarter with a clear order beat, strong operational free cash flow and an implicit outlook increase, Siemens traded lower closing at € 131.65 (-0.6%) and underperformed the DAX (+1.0%). The share price reaction has to be also seen in the light of the recent strong share price track record.

### Share performance February 1, 2017 – May 4, 2017

Since the release of the Q1 fiscal 2017 results, the Siemens share developed positively and parallel to the Dax. The Siemens share even made up the dividend discount until April. The markets were mainly influenced by US politics and the first round of presidential elections in France.

### Siemens versus peers from February 1, 2017 – May 4, 2017

In comparison to the main competitors and the DAX, the Siemens share (+7%) performed between February 1, 2017 and May 4, 2017 better than GE (-2%), Toshiba (-1%), ABB (+4%), Rockwell (+5%) and Schneider (+6%). The DAX (+8%) developed slightly better during this time frame.

### Share price performance Feb 1 - May 4, 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 and rapid execution from the backlog, particularly including large orders in Egypt and Argentina
- Improved execution of projects in the solutions business and continuing high contribution from the service business

#### Siemens to supply five large gas turbines to Saudi Arabia



Siemens has received an order for 5 F-class gas turbines for a combined heat and power plant in the Kingdom of Saudi Arabia. With an electrical generating capacity of about 1,500 MW, the plant will supply about 400 MW of electricity and process steam to a new natural gas extraction plant in Fadhili. The additional 1,100 MW will be sufficient to supply power to 1.1 million Saudi households.

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

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

### Wind Power and Renewables

- Revenue growth in the onshore and service businesses, on a regional basis, increase mainly in Asia, Australia
- Strong profitability driven by higher productivity, positive effects related to project execution, higher capacity utilization, and a larger contribution from the service business

#### Siemens to build EnBW Hohe See as first offshore wind project with extended scope



Siemens Wind Power will, for the first time, provide complete offshore wind power plant solutions including foundations for the EnBW Hohe See offshore wind project. Hohe See owner EnBW has now made a final investment decision for its 497 MW offshore wind power plant. Starting in early 2018 the large wind park will be installed at a site 90 km north of the German island Borkum in the North Sea at water depths of up to 40 m. The 71 wind turbines of the type SWT-7.0-154 rated at 7 MW each will be manufactured at Siemens' new nacelle plant in Cuxhaven. Commissioning is planned for the third quarter of 2019.

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

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

### Energy Management

- Revenue up in all businesses and all three reporting regions, driven by increases in the Division's transmission businesses
- Broad-based profitability improvements, led by the high voltage products business

#### Siemens and Sumitomo Electric win order for HVDC link and agree on cooperation



A consortium between Siemens and Sumitomo Electric Industries Ltd. has been awarded an HVDC order from Indian transmission operator Power Grid Corporation of India to supply a high-voltage direct current (HVDC) transmission system. Siemens will be supplying two converter each rated 1,000 MW. The combined order volume for Siemens and Sumitomo Electric is approximately \$520 million. The grid connection is scheduled to go into operation in the first half of 2020.

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

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

# News from our Industrial Business

## Building Technologies

- Revenue grew across the Division's businesses and in all three reporting regions
- Higher revenue continued to support profit growth

### Siemens to supply building automation to the Munch Museum in Oslo



The Oslo City Administration has selected Siemens to provide the building management system and building automation for the new Munch Museum. Siemens will install the Desigo CC building management platform in the arts museum, together with all associated automation equipment, panels and the necessary interfaces, engineering, programming, commissioning and training of museum employees.

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

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

## Mobility

- Revenue rose on continued successful project execution
- Profit rose on higher revenue and a more favorable revenue mix including a larger share from the high-margin rail infrastructure business

### DB Regio orders 39 multiple-unit regional trains from Siemens



Beginning in 2020, DB Regio AG will operate its Rhine Valley rail network in southwest Germany exclusively with new trains supplied by Siemens. The mass transit arm of Deutsche Bahn has ordered 39 trainsets specifically for this purpose. The order comprises 15 Desiro HC and 24 Mireo trains. This marks the first order for the company's new articulated Mireo regional train platform that was recently premiered at Innotrans, the world's biggest rail trade fair. (for further information, please click [here](#))

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

## Digital Factory

- Another very strong quarter, with revenue up in all businesses, most notably in the short-cycle businesses driven by strong demand from the automotive and the machine building Industries
- Profit and profitability rose significantly in the high-margin short-cycle businesses

### MindSphere with new partners, new applications and extended connectivity



Siemens is driving forward the expansion of its cloud-based open IoT operating system MindSphere with new partnerships, new apps and extended connectivity. The company was joining forces with its partners at the Hannover Messe to showcase around 50 apps providing a range of new functions such as reducing security risks or improving the availability of connected machines and plants.

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

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

## Process Industries and Drives

- Revenue rose primarily in the higher-margin process automation business, lifting profit and profitability for the Division overall

### Siemens technology for Africa's first automated container terminal



Siemens' scope of supply for APM Terminals MedPort Tangier includes the electrical and automation systems as well as the engineering and commissioning of 32 automated stacking cranes deployed in 16 intelligent yard blocks, which will be delivered in cooperation with crane manufacturer Hans Künz GmbH. Siemens will also supply electrical systems used in 12 remote-controlled double trolley ship-to-shore cranes. The terminal is planned to be opened in 2019. (for further information, please click [here](#))

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

## Healthineers

- Revenue increased in nearly all businesses and resulted particularly from the diagnostic imaging business; on a regional basis, growth mainly in Asia, Australia
- Largest profit increase came from the advanced therapies business

### Siemens Healthineers honored twice with the coveted iF Design Award 2017



Its new self-image is expressed not only in the brand Siemens Healthineers, but also in its unique product designs, and it is reaping the benefits: it has now been honored with the world-renowned iF International Forum Design Award. Product design at Siemens Healthineers is characterized by its innovative strength and focuses on the core challenges facing today's healthcare providers. Computed tomography Somatom go. platform and angiography system Artis pheno are both winners of the iF Design Award 2017.

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

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



## Siemens drives implementation of Vision 2020 with Mentor Graphics acquisition and Gamesa merger

On April 3, 2017, Siemens concluded the merger of its wind power business with Gamesa on schedule. A few days before, the company completed its acquisition of industry software provider Mentor Graphics earlier than originally planned. "Closing the two deals has enabled us to achieve another key milestone in implementing Vision 2020," said Siemens President and CEO Joe Kaeser. "With the new wind power company, we've created a global market leader in the area of renewable energies. Mentor Graphics will help us further expand our leading role in the digital sector. Both transactions will benefit customers, employees and shareholders."

**Siemens Wind Power and Gamesa** will form a world-leading wind power provider, with an unrivalled global presence and an excellent position in an attractive growth market. The two companies complement one another almost perfectly and boast a unique product portfolio. [More information](#)

**Mentor Graphics** is an important addition to the Siemens Digital Enterprise portfolio. Customers will be able not only to design a product's structure and mechanical systems and simulate its behavior; they will also be able to virtually map and optimize electronic systems. As a result, Siemens will be able to offer customers the most comprehensive digital twin possible – something no other company in its industry is currently in a position to do. [More information](#)



At Hannover Messe 2017 Siemens demonstrated a tangible portfolio of soft- and hardware that enables companies of all sizes to benefit from digitalization. Siemens calls this offering Digital Enterprise.

It connects the virtual and real production worlds through machine and plant simulations, digital twins, and data analytics. These solutions are specifically geared toward the varying requirements of discrete and process industries. The seamless interoperability of automation hardware and software enables companies to not only collect and process the data of machines and plants, but to turn data into competitive advantages.

The slogan "Discover the value of the Digital Enterprise" stands for the exciting new technologies that provide the opportunities to reduce time-to-market, improve flexibility, and increase efficiency as well as quality.

Using examples from the fields of additive manufacturing, energy for industry and dairy industry as well as pharmaceuticals, Siemens showcased ways in which digitalization can already be used today across every stage of the entire value chain, securing its customers a real competitive edge through greater flexibility, efficiency and quality. [More Information](#)

One of the examples was the **adidas SPEEDFACTORY**. It heralds a new era in the manufacture of sporting goods. It opens doors for the creation of products which are more closely in touch with the consumer and are completely unique to their fit and functional needs.

The manufacture of individual sporting goods calls for flexibility in production and rapid integration of new technologies. As the world market leader in digital factory automation and simulation solutions, Siemens is bringing invaluable expertise to the table.

A "digital twin" of the SPEEDFACTORY will allow the entire production process to be simulated, tested and optimized up front. Merging the virtual and real worlds will help shorten the time to market, bring greater flexibility and provide improved manufacturing quality and efficiency.



## Frequently Asked Questions

Effective April 1, 2017 Michael Sen (48) and Cedrik Neike (43) were appointed to the Managing Board of Siemens AG.

### What company did Michael Sen work for prior to his Siemens Managing Board appointment?

Prior to his appointment, Michael Sen, the former Siemens Healthcare CFO, was Chief Financial Officer of E.ON SE, where he gained extensive expertise in the management of listed equity investments.



### What are the tasks of his position in the Siemens Managing Board?

Michael Sen is responsible for Siemens Healthineers. He also takes over responsibility for Global Services (GS) from CFO Ralf P. Thomas. Additionally to his current duties, he will be responsible for Siemens Gamesa Renewable Energy within Siemens' Managing Board.

### What did Cedrik Neike do before he was appointed to the Siemens Managing Board?

Cedrik Neike was the Market Development Manager at U.S. technology provider Cisco.



### What responsibilities does he take over?

Mr. Neike is responsible for the Region Asia/Australia and the Energy Management Division. The IT expert will enable Siemens to further strengthen digitalization expertise within the Managing Board.

(for further information on the Managing Board members, please click [here](#))

## Financial Calendar

<b>3</b> August 2017		<b>9</b> November 2017		<b>31</b> January 2018	
3rd quarter 2017 financial results		4th quarter 2017 financial results		1st quarter 2018 financial results and AGM	

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

## We are happy to answer all of your questions

### Investor Relations:

+49 (89) 636 32474

[investorrelations@siemens.com](mailto:investorrelations@siemens.com)

<http://www.siemens.com/investor>



Your Siemens IR Team

### Address:

Siemens AG  
Wittelsbacherplatz 2  
80333 Munich  
Germany

## How does Siemens assess the further course of fiscal 2017?

We confirm our expectations for fiscal 2017 presented with our results for Q1 FY 2017. We continue to expect modest growth in revenue, net of effects from currency translation and portfolio transactions, and anticipate that orders will exceed revenue for a book-to-bill ratio above 1. We expect the profit margin of our Industrial Business in the range of 11.0% to 12.0%, and basic EPS from net income in the range of €7.20 to €7.70.

This outlook now includes portfolio changes already closed by the middle of fiscal 2017, particularly the acquisition of Mentor Graphics and the Gamesa merger, which are expected to burden Industrial Business profit margin and basic EPS from net income in fiscal 2017.

The outlook continues to exclude 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.

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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.