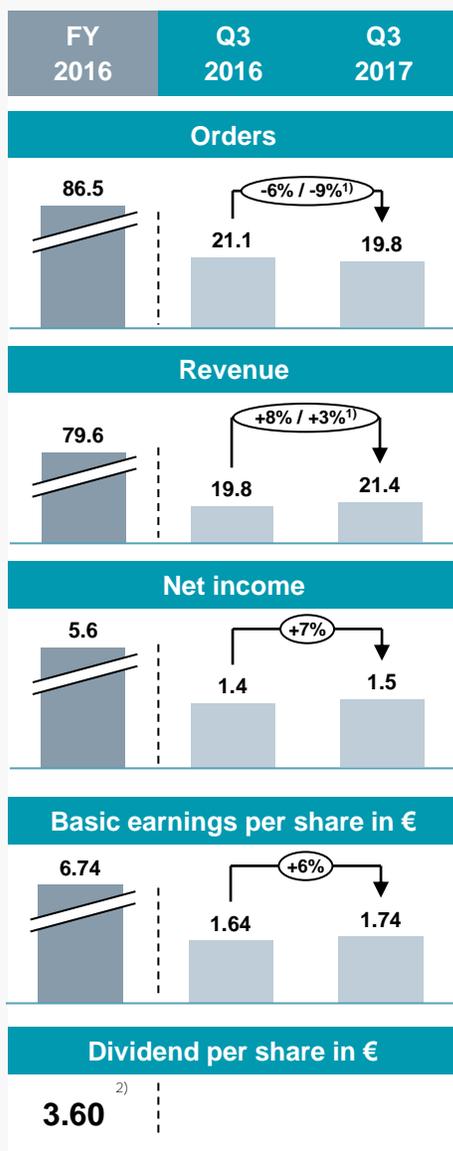


# Shareholder Letter

## August 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,



on August 3<sup>rd</sup>, President and CEO Joe Kaeser, CFO Ralf Thomas and Michael Sen, member of the Siemens managing board, presented the results of the third quarter of fiscal 2017 during a press and analyst conference call and confirmed the already raised guidance for fiscal 2017.

“Our global team delivered a solid quarter with revenue up 8% and net income growing by 7%. Our

digital enterprise business impressively underscored its leading position in the market. We are fully on track with Vision 2020 and for another strong year,” said Siemens CEO Joe Kaeser, whose appointment has been extended until 2021 (see page 5).

In the third quarter of fiscal 2017, orders came in 6% lower compared to Q3 FY 2016 (-9% on a comparable basis), at €19.8 billion, due to sharply lower volume from large orders at Power and Gas and at Siemens Gamesa Renewable Energy. For the fourth quarter, however, there are already signs for an increase in major projects (e.g. Energy Management news on page 2).

Revenue rose 8%, to €21.4 billion (+3% on a comparable basis), including a strong performance by short-cycle businesses. Especially pleasing was the performance of the teams in the Divisions Digital Factory, Building Technologies, Healthineers and Mobility. In particular Mobility is competing very well in an difficult and extraordinary competitive environment.

Net income rose 7%, to €1.5 billion, despite negative merger and acquisition effects with regards to Gamesa and Mentor Graphics, which have been signaled already in Q2. The EPS of €1.74 was up from €1.64 in Q3 FY 2016.

The expansion of digital platforms, applications and digital services is making good progress. This helps Siemens to generate further growth for the future. Especially in these fields, partnerships and networks are more important than ever. For example, Siemens has been able to win more partners for the operating system for the Internet of Things, MindSphere. The number of MindSphere customers is now in the three-digit range. There are already a large number of apps from Siemens and partners running on MindSphere, with a very fast growing trend – shortly, a midrange three-digit number will be reached.

In addition, Siemens launched several strategic partnerships in this area – for instance with the People's Republic of China and the Kingdom of Saudi Arabia. Another highlight was the opening of our Digitalization Hub in Singapore. Siemens also entered a very promising partnership with FC Bayern Munich. Further information can be found in our feature topic section on page 4.

Finally, some news on Siemens Healthineers: With a clear strategic plan and a stringent execution roadmap, we're going to publicly list Siemens Healthineers in the first half-year of 2018 in the form of an initial public offering (IPO).

Dear shareholders, I wish you a relaxing and sunny summer season and want to thank you at this point for your trust and interest in Siemens.

Kind regards,

Head of Investor Relations, Siemens AG

## Share Performance

### Share performance on August 3, 2017 (Quarterly results publication)

The overall mixed results were reflected in the share performance of the Siemens share (-3.1%), which underperformed the DAX (-0.2%). The weak performance of Power and Gas, Energy Management and Siemens Gamesa were below market expectations and made investors cautious about 2018 perspectives.

### Share performance May 5, 2017 – August 3, 2017

Since the release of the quarterly results for Q2 in fiscal 2017 the DAX and the Siemens share developed negatively. The Siemens share lost some ground after its intraday all-time high of €133.50 mainly due to a cautious tone of Joe Kaeser in June with regards to the business development of the energy business. The markets were furthermore influenced by the strong Euro, US politics, the start of Brexit negotiations and the British parliament elections.

### Siemens versus peers from May 5, 2017 – August 3, 2017

In comparison to the main competitors and the DAX, the Siemens share (-15%) underperformed between May 5, 2017 and August 3, 2017 GE (-12%), ABB (-7%), Schneider (-7%), the DAX (-4%), Toshiba (+7%) and Rockwell (+7%).

### Share price performance May 5 – Aug 3, 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

- In contracting markets, revenue down in all reporting regions due mainly to weaker order intake in prior periods; declines particularly in the large gas turbine and compression businesses
- Profit down due to the revenue decline, lower capacity utilization, and higher severance

### Siemens to deliver key equipment for power plant in Jordan



Siemens will supply the key components for the Attarat steam power plant in Jordan. Siemens' scope of supply comprises two SST5-5000 steam turbines, two air-cooled SGen5-1200A generators, and the turbine control system. The condenser is air cooled to address the lack of water at the site. The power plant will start operation in mid-2020 and will feed up to 470 MW to Jordan's power grid.

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

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

### Energy Management

- Revenue up in nearly all businesses; on a regional basis, increases in Asia, Australia and the region comprising Europe, C.I.S., Africa, Middle East
- Profit held back by a less favorable business mix

### Siemens receives major order from TenneT for DoWin6 offshore grid connection



Siemens has received another order from the German-Dutch grid operator, TenneT TSO, for a grid connection for offshore wind power plants in the German waters of the North Sea. The company will supply the entire technology for efficient direct-current transmission for the "DoWin6" grid connection. The order placed with Siemens is valued in high three-digit millions euros range. Commercial commissioning is scheduled for 2023. (for further information, please click [here](#))

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

### Building Technologies

- Revenue growth was mainly driven by the product and service businesses; on a geographic basis, revenue increased in the Americas and Asia, Australia
- Profit momentum continues on the back of strong execution, with higher revenue and improved productivity

### Siemens receives 2017 European Energy Service Award



The Siemens Building Technologies Division has won a 2017 European Energy Service Award in the category "Best European Energy Service Project" for its energy performance contracting (EPC) project at Hvidovre Hospital, the largest EPC project in Denmark to date. The project will allow the 245,000 m<sup>2</sup> hospital near Copenhagen to reduce its heat consumption by 41% and its electricity consumption by 23%. The total energy consumption will be cut by approximately one third. (for further information, please click [here](#))

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

# News from our Industrial Business

## Mobility

- Broad-based revenue growth led by the rolling stock business, including execution of large projects and locomotive orders
- Profit rose on higher revenue; Q3 FY 2016 benefited from positive effects from larger contracts

### Bremen orders new tram fleet from Siemens



The German operator Bremer Straßenbahn AG has ordered 67 Avenio trams from Siemens. The order includes an option for up to 17 additional trams. The four-section trains will begin service in Bremen's tram network step by step beginning in spring of 2019. The city's network is comprised of seven lines with 163 stations and has a total length of 79 km. The Avenios will replace the GT8N-series trams currently in service and will have the type designation GT8N-2. (for further information, please click [here](#))

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

## Digital Factory

- Strong volume growth across the businesses; excellent performance in the short cycle businesses; the product lifecycle management software business grew sharply due to strong demand combined with new volume of Mentor Graphics
- Profit rose significantly, driven by the high-margin short-cycle businesses

### Siemens and TCS join Forces for Industrial IoT on MindSphere



Tata Consultancy Services a leading global IT services, consulting and business solutions organization, and Siemens today unveiled a new collaboration around Internet of Things (IoT) innovation. Focused on customers in the manufacturing, energy, building technology, healthcare and railway industries the partnership will enable customers to benefit from new data insights and services based on MindSphere, the cloud-based, open IoT operating system from Siemens. (for further information, please click [here](#))

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

## Process Industries and Drives

- Slight revenue growth in the process automation business more than offset by declines in other businesses
- Profit and profitability continue to be held back by ongoing operational challenges, particularly in the large drives business

### New Aida cruise ship launched with Siemens automation technology on board



Aida Perla, the twelfth cruise liner of the Aida fleet, was christened on June 30, 2017 in the Spanish resort of Palma de Mallorca. Siemens equipped the new flagship with automation technology designed to control and monitor key on-board functions. Aida Perla is capable of accommodating a total of 3,300 passengers in around 1,600 cabins. The new passenger vessel is already the ninth Aida ship to be equipped with Siemens technology. (for further information, please click [here](#))

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

## Siemens Healthineers

- Revenue up in nearly all businesses, particularly diagnostic imaging and advanced therapies
- Continued strong earnings performance by the diagnostic imaging business

### Siemens Healthineers now the official medical solution partner for FC Bayern Munich



The new season of the Bundesliga, Germany's national soccer league, marks the start of a three-year partnership between Siemens Healthineers and the renowned championship team FC Bayern Munich. As part of the partnership Siemens Healthineers will equip the team's Munich-based training area and Allianz Arena stadium with cutting-edge ultrasound and X-ray systems ultimately helping to both protect licensed players through medical checkups and support post-injury recoveries. (for further information, please click [here](#))

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

## Siemens Gamesa Renewable Energy

- Revenue supported by the offshore and service businesses; revenue in the onshore business impacted by the market conditions in India
- Profitability held back by integration costs of €36 million

### Siemens Gamesa to supply 752 MW to DONG Energy in the Netherlands



Siemens Gamesa and DONG Energy have signed an agreement for the supply of 94 8-MW turbines (752 MW) at the Borssele 1 and 2 offshore wind power plant being developed in Dutch waters. The contract additionally includes maintenance of the turbines. (for further information, please click [here](#))

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

## Siemens partners with Singapore to establish its first fully-integrated Digitalization Hub

To address the substantial opportunities in urbanization and industrialization that are rapidly arising in Asia, Siemens will be setting up a Digitalization Hub in Singapore. At this Hub, Siemens will develop innovations for the Internet of Things (IoT) and Industrie 4.0 in collaboration with its customers in Southeast Asia.

Supported by the Singapore Economic Development Board (EDB), the Hub will also complement the country's efforts to become a Smart Nation, because Siemens will be using its IoT operating system MindSphere - to drive digitalization in Singapore.

As part of the Digitalization Hub, Siemens will cooperate with customers, partners and universities to develop new digital applications. MindSphere provides an optimal platform for ensuring connectivity across all infrastructures and different industries. Apps and digital services that help analyze huge data volumes can be developed and managed on the operating system in order to gain new insights for optimizing complex systems.

"Singapore is one of the greatest economies in the world. It is known for excellence, long term planning and forward



thinking. Siemens will be key partner to help prepare Singapore for the new digital economy. Piloting MindSphere as the IoT operating system, Singapore has a unique opportunity to become the leading fully integrated urban ecosystem on the globe. To help achieve this, we're setting up our largest fully-integrated Digitalization Hub in Singapore. We are bringing together experts from all our businesses, leveraging our leading industry know-how to optimize energy management, modernize infrastructure and transform industries" said Joe Kaeser. [more information](#)

## Siemens Partnerships

### Siemens partners with China on digitalization

Siemens has entered into agreements with the Chinese government and Chinese enterprises to continue joint activities for exploring the potential of digitalization and for supporting measures to upgrade and transform China's industrial sector. The documents were signed in Berlin in the presence of German Chancellor Angela Merkel and Chinese President Xi Jinping.

Based on the existing cooperation framework between Siemens and China's National Development and Reform Commission (NDRC), the two parties also signed a Memorandum of Understanding (MoU) that specifies cooperative activities in areas of innovation and in the application of digital technologies.

In response to the "Made in China 2025" and "Internet+" initiatives, Siemens will continue to offer Digital Enterprise solutions to support the upgrading and transformation of China's industrial sector. The company will also step up efforts in research and development and talent development for digital manufacturing in China while driving innovation with Chinese partners and taking part in national and local innovation projects. One of the focus areas involves further exploring the use of MindSphere – Siemens' cloud-based open Internet of Things (IoT) operating system – in areas such as city-management and power-grid applications. Siemens has also signed a strategic cooperation agreement with China Aerospace Science and Industry Corporation (CASIC). The two companies aim to strengthen cooperation on industrial IoT and intelligent manufacturing. [more information](#)

### Siemens and FC Bayern Munich forge global partnership

Siemens will become an official "Performance Partner" for the FC Bayern Munich soccer and basketball teams at the start of the new sports season. The partnership will begin on July 1, 2017, and continue until June 30, 2020.

FC Bayern Munich's Allianz Arena and Audi Dome are already equipped with a large number of Siemens solutions. At the start of the new season, the two partners intend to work together on concrete, forward-looking solutions, technologies and digital products.



The results of this partnership are to provide FC Bayern Munich and its fans with unforgettable sporting excitement in the future, too. Plans call for increasing the share of Siemens systems in and around the Allianz Arena as well as at the offices and training facilities on Säbener Strasse in Munich. Software- and cloud-based services in the areas of power engineering, building technology, safety and security technologies as well as intelligent mobility solutions for local public transportation and traffic management systems, in particular, will play a major role in the collaboration. [more information](#)

## On short notice

### Siemens extends appointment of CEO Joe Kaeser

The Supervisory Board of Siemens AG has extended Joe Kaeser's appointment as President and Chief Executive Officer ahead of schedule. His term of office will now extend until the Annual Shareholders' Meeting in 2021. This move is intended to ensure the continuity and stability needed for sustainable and successful implementation of the company's Vision 2020 strategy program.

"Over the past few years, Mr. Kaeser has driven Siemens' realignment with great dedication and entrepreneurial spirit," said Supervisory Board Chairman Gerhard Cromme. "He's not only a guarantor of success, but also of stability in increasingly turbulent times. From the perspective of the Supervisory Board, it's all the more gratifying that we'll be continuing the extremely successful collaboration with Mr. Kaeser, which is based on the highest levels of trust."

"We've accomplished a great deal together over the past four years. Vision 2020 has given Siemens a clear direction, and we've significantly increased our company's value," said CEO Joe Kaeser. "But we still have a long way to go. Together with our global leadership team, we at Siemens want to shape the digital transformation of industry and ensure that our company is well prepared for the next generation."

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

## Financial Calendar

9 November 2017	€	31 January 2018	€	9 May 2018	€
4th quarter 2017 financial results		1st quarter 2018 financial results and AGM		2nd quarter 2018 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 the further course of fiscal 2017?

We confirm our expectations for fiscal 2017 presented with our results for Q2 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 includes portfolio changes already closed in the first nine months of fiscal 2017, particularly the acquisition of Mentor Graphics and the Gamesa merger, which 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.

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.