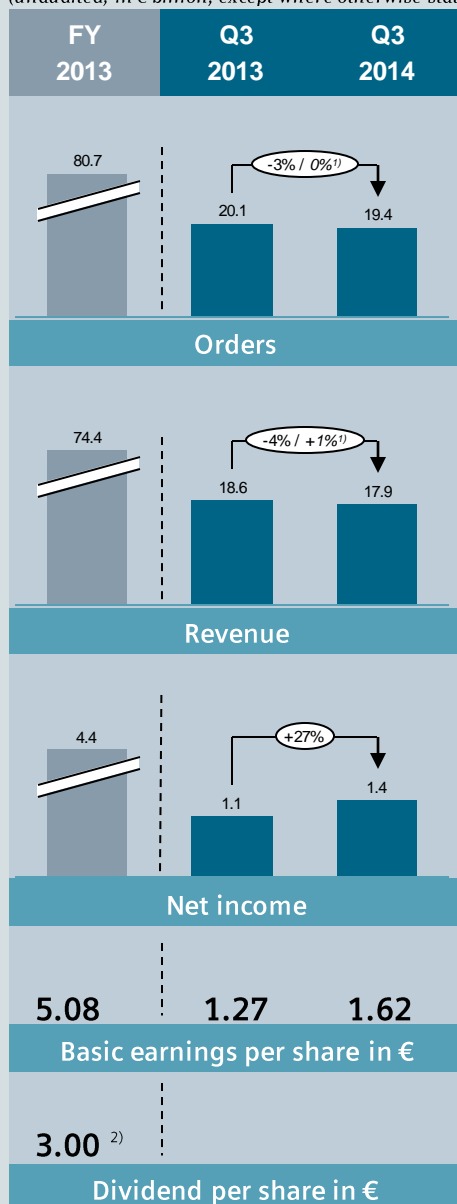


Shareholder Letter

August 2014

Financial Highlights

(unaudited; in € billion, except where otherwise stated)



¹⁾ Changes are adjusted for currency and portfolio translation effects

²⁾ Approved dividend at the Annual Shareholders' Meeting on January 28, 2014

Ladies and Gentlemen, dear Shareholders,



In May we outlined our long-term strategy "Siemens - Vision 2020" and there was a lot of news that we shared with you. This time we focus on the third quarter fiscal year 2014 results, which CEO Joe Kaeser presented on July 31, 2014: "While we made good progress in most areas, the Energy

Sector poses a continued challenge in the quarters to come. "Siemens - Vision 2020" leads the way to sustainable performance improvement."

Orders were stable compared to the third quarter a year ago, supported by large contract wins in the Energy Sector. Revenue rose slightly, with the Infrastructure & Cities Sector being the growth driver. Both figures on a comparable basis. Net income rose 27% year-over-year to €1.4bn, while earnings per share (EPS) was up 28% to €1.62.

During the third quarter, Siemens classified as discontinued operations nearly all the activities of the Metals Technologies business, formerly included in the Industry Sector. These activities are to become part of a joint venture with Mitsubishi-Hitachi Metals Machinery in which Siemens will hold a 49% stake. Relevant prior period results are shown on a comparable basis. The transaction is subject to approval by regulatory authorities. Closing is expected in the first quarter of fiscal 2015. As for Healthcare, Siemens announced to sell its microbiology business to Beckman Coulter. Both transactions are part of "Siemens - Vision 2020".

As mentioned in the last shareholder letter, the share buyback program of up to €4bn started on May 12. Until August 1, Siemens purchased around 7,1m of its own shares, equaling a buyback volume of ~€680m.

Furthermore, let me shortly address the Alstom topic. It is unfortunate that Siemens didn't get the gas turbines business, and that the joint bid with our partner MHI was rejected. However, as it stands, the deal that will possibly now go through is something Siemens would never have agreed to. The tussle for Alstom has been a true demonstration of our determination and willingness to act, but has also served as evidence of our strategic acumen and particularly our discipline.

Dear Shareholders, please let me use the opportunity to wish all of a relaxing summer time. I am looking forward to update you on the fourth quarter and fiscal year 2014 results at the beginning of November.

Kind Regards,

Mariel von Drathen, Head of Governance & Markets, Siemens AG

Share Performance 02

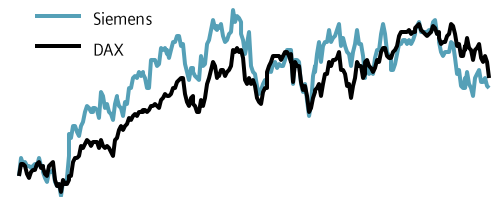
News from our Sectors 02

Feature Topic 04

Share Performance

- Current Siemens share price stands at €92.40¹⁾.
- The DAX has shown a positive trend since last July, rising by approx. +14% year-on-year. The Siemens share rose during the same period by approx. +12%.
- In comparison to most of its main competitors, Siemens stocks outperformed during the last twelve months.
- On Thursday, July 31, 2014, Siemens shares peaked (€94.94) in the morning following well received third quarter results; during the course of the afternoon session the stock lost its gains in parallel to the market, but still clearly outperformed DAX, which closed -1.94%.

Last price: **EUR 92.40**¹⁾



July
2013

July
2014

¹⁾ Closing price on July 31, 2014

For further information: http://www.siemens.com/investor/en/siemens_share.htm

News from our Sectors

Energy



Q3 2014 results:

- Orders increased year-over-year as all Sector's Divisions won large orders primarily in Europe/CAME*)
- Revenue decline resulted mainly from currency effects
- Profit impacted by ongoing operational challenges, most notably at Power Transmission

*) C.I.S. Africa, Middle East

Siemens provides 150 wind turbines for largest Dutch offshore project

For the Gemini project Siemens will deliver 150 wind turbines with a capacity of 4 MW and a rotor diameter of 130 meters each. Total order volume: more than €1.5bn. The wind power plant is to be located in the North Sea, 85 km above the coast of Groningen. With an installed capacity of 600 MW in total Gemini will yield 2.6 TWh of electricity per year. For Siemens this is the first order for an offshore wind power plant in Dutch waters.

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

Siemens supplies major components and service for power plant units in Saudi Arabia

Siemens Energy has received an order to supply six gas turbines, three steam turbines and nine generators for Rabigh 2 IPP combined-cycle power plant in Saudi Arabia. The customer is the Korean construction company Samsung C&T. Following project completion in mid-2017, Rabigh 2 IPP will have an installed electrical generating capacity of 2,060 MW to supply Makkah Province with electric power. Including commissioning support services, and a long-term maintenance service agreement the order value for Siemens amounts to approx. \$590m.

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

Healthcare



Q3 2014 results:

- Profit lower year-over-year mainly due to unfavorable currency effects
- Revenue declined, while orders rose on a comparable basis

Siemens Healthcare agrees to sell microbiology business to Beckman Coulter

Siemens Healthcare is selling its microbiology business to Beckman Coulter Inc., a wholly owned subsidiary of Danaher Corporation. The activities of the microbiology business include systems for the identification and antibiotic susceptibility testing (ID/AST) of microorganisms. The decision enables Siemens Healthcare to focus on its core in-vitro business within the Diagnostics Division and is also in alignment with Siemens – Vision 2020. The transaction is subject to applicable regulatory approvals and expected to close in 6 months.

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

News from our Sectors

Industry



Q3 2014 results:

- Revenue and orders above prior year level on a comparable basis, including increase in China
- Profit increased year-over-year, also reflecting improvements in the Sector's short-cycle businesses

Siemens supplies gear units for coal-fired power plants in India under major BHEL order

Siemens Drive Technologies will be supplying large gear units and gear components for vertical mills to Bharat Heavy Electricals Ltd. (BHEL) to cover their overall demand in the coming three years. The Flender gear units from Siemens are deployed in vertical mills with an output of 800 and 1000 kW, which are used for coal grinding in the power plants. (for further information, please click [here](#))

Siemens provides powerful drive system for Indonesian cement production plant

Siemens has received an order from ThyssenKrupp Industrial Solutions AG to supply an Integrated Drive System for the expansion of PT Holcim Indonesia Tbk.'s cement plant in Java. Upon completion it will have a daily capacity of 4,000 tons of cement. Operation is due to commence mid-2015. The drives from Siemens will ensure reliable operation with reduced maintenance expenses. (for further information, please click [here](#))

Infrastructure & Cities



Q3 2014 results:

- Significant profit improvement including higher earnings from all businesses within the Sector
- Orders well below prior-year level, when a €3bn major order from U.K. was included
- Revenue increased, driven by Transportation & Logistics

Siemens equips three sections of track in Hungary with ETCS train protection system

Siemens has received three orders from Hungary to supply signaling and control technology. The order, which is worth around €60m, was awarded by Hungary's state infrastructure development company, and commissioning of all three sections is scheduled to take place at the end of 2015. The rail automation division of Siemens will supply the automatic train protection system Trainguard 200 for ETCS Level 2 for around 200 track kilometers. (for further information, please click [here](#))

How does Siemens assess the further course of fiscal year 2014?

We confirm our guidance for fiscal 2014.

We expect revenue on an organic basis to remain level year-over-year, and orders to exceed revenue for a book-to-bill ratio above 1.

Given these developments and financial results for the first nine months, we expect basic earnings per share (Net Income) for fiscal 2014 to grow by at least 15% from €5.08 in fiscal 2013.

This outlook is based on shares outstanding of 843 million as of September 30, 2013.

Furthermore, it excludes impacts related to legal and regulatory matters.

Zoomed in ... Siemens China

Video Interview with Siemens China CEO Lothar Herrmann

In the third issue of the video interview format "Zoomed in ...", Siemens Investor Relations put a **spotlight on the business in China**. Please find the main messages below:

Key Facts about Siemens China:

- In fiscal year 2013 revenues totaled to €6.1bn (split: Industry 43%, Healthcare 22%, Energy 19% and Infrastructure & Cities 16%)
- Headcount was around 32,000 employees, thereof 5,000 in Research & Development and Engineering



In the Industry divisions we had quite some promising development of the short-cycle business. What is the driver for the growth and how sustainable is it?

- **We started well into the year** with double-digit growth in Industry in the 1st half of FY14, driven by infrastructure project wins and restocking effects in the short-cycle business. The **growth in H2 FY14** is expected to continue, however at **much more moderate speed**.
- The fundamental drivers like **higher quality standards, demand for efficiency and productivity and the demand for high-end and high automated factories** of Industry business **remain intact**. However **overcapacities** built up during the China stimulus program **limits growth** in verticals like **iron & steel, cement or shipbuilding**.

In Healthcare, however, the going gets tough. Why has growth slowed down and what can we expect going forward?

- In the past, we **grew Healthcare at high speed**, but due to the base effect growth rates naturally **slow down**. We also see **structural changes** in the China healthcare equipment market.
- Looking ahead, Healthcare remains an **attractive but demanding market**; will see changes in the competitive landscape and **new players emerging**. We expect to grow China Healthcare business still above a **moderately growing market** in the second half of FY2014.

What is the situation in the Energy operations?

- The Fossil Power Generation market runs flat, but we have a **large backlog of long-term service contracts**. The large steam turbine market is addressed via our **partnership with Shanghai Electric**, which took **37% of the market in FY13**.
- The Wind Power market is mainly an onshore market, dominated by strong local players. The offshore market has shown **first noticeable activities**, and we have realized the first wins.
- In Transmission we have initiated significant **cost reduction** programs and increased **local competency in our factories** and this pays off: over the last 18 months we have been the most successful international player in China. We are looking confident towards **future HVDC projects**.



The Infrastructure and Cities divisions are doing well in China. Can you give us some insight?

- The product business driven Divisions are well on track for growth. We have **established a joint sales force** and since then enjoyed **18 consecutive months of double digit growth**.
- In the project driven business (Transportation & Logistics) we capitalize on the massive investment in rolling stock and the transportation industry.
- Looking ahead, the Infrastructure & Cities market overall will grow at a **stable pace, but more moderately than in the past**. Building Technologies and Power Grid business will continue to **benefit** along China's ongoing trend of urbanization and industrialization and its continued investment in infrastructure. Parts of the rolling stock market will peak in 2014/2015, and afterwards naturally slow down.

(to watch the full video interview, please click [here](#))

Frequently Asked Questions

Siemens has installed four offshore platforms in the North Sea, completing an important stage for grid connections of sea-based wind farms.



In this issue of the Shareholder Letter, some of the related questions are answered:

Which platforms have you installed already?

The newly installed SylWin1 platform (864MW), located 70km west of Sylt and HelWin2 (690 MW), 35km north of Helgoland. HelWin1 (576 MW) was installed in August 2013. BorWin2 (800 MW) was installed in April 2014 northwest of Borkum.

Why did you have to book additional costs again as the installations were successfully executed?

These costs can mainly be attributed to a modified risk assessment for transport, installation and commissioning of the offshore platforms.

When will the grid connections take up commercial operation?

The first four grid connections, whose platforms have now been installed at sea, are scheduled to take up commercial operation successively between the second half of 2014 and the first half of 2015.

Siemens has won a fifth grid connection project in Germany recently. What is different?

Overall BorWin 3 (900 MW) has a massively reduced risk at a significant higher price. The fifth grid connection is scheduled to supply wind power to a further 900,000 households starting in 2019.

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

Financial Calendar



4th quarter 2014
and full year
financial results



1st quarter 2015
financial results &
Annual Shareholders'
Meeting



2nd quarter 2015
financial results

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

We are happy to answer all of your questions

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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, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens' control, affect Siemens' operations, performance, business strategy and results and could cause the actual results, performance or achievements of Siemens to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends. These factors include in particular, but are not limited to, the matters described in Item 3: Key Information—Risk factors of our most recent annual report on Form 20-F filed with the SEC, in the chapter Risks of our most recent annual report prepared in accordance with the German Commercial Code, and in the chapter Risks and opportunities of our most recent interim report.

Further information about risks and uncertainties affecting Siemens is included throughout our most recent annual and interim reports, as well as our most recent earnings release, which are available on the Siemens website, www.siemens.com, and throughout our most recent annual report on Form 20-F and in our other filings with the SEC, which are available on the Siemens website, www.siemens.com, and on the SEC's website, www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements of Siemens may vary materially from those described in the relevant forward-looking statement as being expected, anticipated, intended, planned, believed, sought, estimated or projected. 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 supplemental financial measures that are or may be non-GAAP financial measures. Orders and order backlog; adjusted or organic growth rates of revenue and orders; book-to-bill ratio; Total Sectors profit; return on equity (after tax), or ROE (after tax); return on capital employed (adjusted), or ROCE (adjusted); Free cash flow, or FCF; adjusted EBITDA; adjusted EBIT; adjusted EBITDA margins; earnings effects from purchase price allocation, or PPA effects; net debt and adjusted industrial net debt are or may be such non-GAAP financial 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 IFRS in its Consolidated Financial Statements. Other companies that report or describe similarly titled financial measures may calculate them differently. Definitions of these supplemental financial measures, a discussion of the most directly comparable IFRS financial measures, information regarding the usefulness of Siemens' supplemental financial measures, the limitations associated with these measures and reconciliations to the most comparable IFRS financial measures are available on Siemens' Investor Relations website at www.siemens.com/nonGAAP. For additional information, see supplemental financial measures and the related discussion in Siemens' most recent annual report on Form 20-F, which can be found on our Investor Relations website or via the EDGAR system on the website of the United States Securities and Exchange Commission.

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.