SIEMENS

Ingenuity for life

Facts and figures Fiscal 2017

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Joe Kaeser

President and Chief Executive Officer
of Siemens AG

Dear Shareholders,

Fiscal 2017 was another record year for Siemens' operations. We fulfilled our ambitious guidance, which we'd raised twice during the year, at every point. We've already achieved many of the goals defined in our "Vision 2020" strategy. I am particularly pleased that most of Siemens' businesses are stronger than ever before and better positioned than ever for the digital age.

Excluding currency translation and portfolio effects, revenue rose three percent in fiscal 2017. Six of our eight industrial businesses increased their profit compared to the prior year. Basic earnings per share rose to a strong €7.44. In other words: Siemens is growing sustainably, and Siemens is growing profitably. However, we still have structural changes to master in individual businesses, in power generation, in particular. Here, we're experiencing at time-warp speed a shift from conventionals to renewables and from centralized to decentralized energy systems. That's why we have to adjust our capacities and invest at the same time in innovative future technologies. We have a lot of work to do in fiscal 2018. But we also have a key advantage: we're acting from a position of strength.

Against the backdrop of our successful fiscal 2017, the Managing Board will propose to you at the Annual Shareholders' Meeting a dividend of €3.70. This is around three percent or ten euro cents more than last year. As part of our profit sharing scheme, the Company will also distribute €400 million in the form of Siemens shares to employees below the senior management level in the spring of 2018. This is our way of saying thank you to our colleagues all around the world for their outstanding commitment while, at the same time, further strengthening Siemens' Ownership Culture.

Our global team has been very successful in driving our "Vision 2020" strategy. We've proven that Siemens has enormous potential. Now we want to leverage this potential further. The world is in a period of upheaval. The pace of economic, social and political change has drastically accelerated. To keep up, Siemens must, to some extent, reinvent itself.

The time has come to set a course for the years after 2020, for the Siemens of the next generation. What should this Siemens look like? It's not the biggest companies that will be successful in the age of digital industry but the companies that best adapt to the rapidly changing environment. Conventional conglomerates no longer have a future. That's why we're currently developing a modern company structure in which our brand's powerful ability to integrate is united with the agility of the new and supported by a flexible, lean company management. I like to compare this organization to a fleet of strong, fast ships that communicate and cooperate with one another as they sail under a common Siemens flag.

We've already made a number of strategic moves in this direction. We've formed the leading company for renewables, Siemens Gamesa Renewable Energy. We're preparing the public listing of Healthineers in order to shape the healthcare of tomorrow. And we're in the process of merging the mobility businesses of Siemens and Alstom with the aim of creating a European champion in mobility solutions for the benefit of our customers.

One hundred and seventy years after the founding of Siemens & Halske, we remain true to the vision that inspired Werner von Siemens from the very first day: to build a company that operates profitably and sustainably, secures high-quality jobs for the long term, serves its customers and society – and shapes the future.

For the Managing Board

Sincerely yours,

Dear Shareholders,

In fiscal 2017, Siemens considerably improved its profit once again. The Company concluded another chapter in its successful realignment.

Dr. Gerhard Cromme

Chairman of the Supervisory Board
of Siemens AG

During the past few years, Siemens has consolidated and modernized its businesses, gearing them to future-oriented fields. Electrification, automation, digitalization: that's what defines the Company today. In the Fourth Industrial Revolution – the enormous paradigm shift that all companies worldwide have to address – Siemens is considered a pioneer, a thought leader.

In fiscal 2017, five of our eight industrial businesses achieved excellent results. Of course, Siemens is also facing challenges, particularly in the energy area. In view of the rapidly advancing global energy transition and the trend toward renewable energies, adjustments are unavoidable. Siemens has launched the necessary – and sometimes painful – steps required to put its conventional power generation business on a sound foundation for the long term. In this context, the Company is aware of its responsibility to its employees and to society.

Over the last few years, the Supervisory Board has closely supported Siemens' continuous renewal while also renewing itself. Its members have the experience and – particularly in the area of digitalization – the wide-ranging expertise they need to effectively monitor and advise the Company's Managing Board on behalf of its shareholders.

As Chairman of the Supervisory Board, I have contributed to this new departure in the last ten years. According to the latest independent surveys, Siemens today enjoys great respect worldwide. On behalf of the Supervisory Board, I would like to thank the members of the Managing Board as well as the employees and employee representatives of Siemens AG and all Group companies for their outstanding commitment over the years. I wish them every success for the future. We can be proud of what we have achieved together.

For the Supervisory Board

Gerhard Cromme

Key figures fiscal 2017

Volume

		FY 2017	FY 2016	% Change Actual	% Change Comp.[1]
Orders	in millions of €	**85,669**	86,480	(1)%	(2)%
Revenue	in millions of €	**83,049**	79,644	4%	3%
Book-to-bill ratio		**1.03**			
Order backlog	in billions of €	**126**			

Profitability and Capital efficiency

		FY 2017	FY 2016	% Change
Industrial Business				
Profit	in millions of €	**9,453**	8,744	8%
Profit margin	in %	**11.2**	10.8	
Continuing operations				
EBITDA	in millions of €	**10,946**	10,216	7%
Income from continuing operations	in millions of €	**6,126**	5,396	14%
Basic earnings per share[2]	in €	**7.38**	6.51	13%
Continuing and discontinued operations				
Net income	in millions of €	**6,179**	5,584	11%
Basic earnings per share[2]	in €	**7.44**	6.74	10%
Return on capital employed (ROCE)	in %	**13.5**	14.3	

Capital structure and Liquidity

		September 30, 2017	September 30, 2016
Total equity	in millions of €	**44,527**	34,816
Industrial net debt	in millions of €	**9,876**	10,505
Industrial net debt/EBITDA[3]		**0.9**	1.0

		FY 2017	FY 2016
Free cash flow			
Continuing operations	in millions of €	**4,819**	5,533
Continuing and discontinued operations	in millions of €	**4,769**	5,476

Employees

		September 30, 2017	September 30, 2016
Number of employees[4]	in thousands	**372**	351
Germany	in thousands	**115**	113
Outside Germany	in thousands	**257**	238

1 Throughout excluding currency translation and portfolio effects.

2 Basic earnings per share – attributable to shareholders of Siemens AG. For fiscal 2017 and 2016 weighted average shares outstanding (basic) (in thousands) for the fiscal year to 812,180 and 808,686, respectively.

3 Accumulative EBITDA of the previous four quarters until the reporting date.

4 Part-time employees are included proportionally.

Fiscal 2017 – Financial summary

In fiscal 2017, we continued to stringently execute on our **"Vision 2020"** concept. We reached significant milestones for the strategic development of Siemens and initiated important measures to further strengthen our portfolio. At the beginning of fiscal 2017, we founded next47, which pools our existing startup activities to foster disruptive ideas more vigorously and accelerate the development of new technologies. In the second quarter, we acquired Mentor Graphics Corporation, U.S. (Mentor Graphics), an electronic design automation software provider, to further strengthen and expand our industrial software portfolio. At the beginning of the third quarter, we closed the merger of our wind power business with Gamesa Corporación Tecnológica, S.A., Spain (Gamesa), to form Siemens Gamesa Renewable Energy (SGRE), a leading global wind power player in the onshore and offshore markets. In the fourth quarter, we announced our plans to publicly list a minority stake in the Healthineers business in the first half of calendar year 2018, depending on market conditions, in order to strengthen this Strategic Unit within Siemens by increasing the entrepreneurial and capital flexibility it needs to drive its strategic growth plans. Also in the fourth quarter, we signed a memorandum of understanding to combine our mobility business, including the rail traction drives business, with Alstom SA, France, in order to provide our customers around the world with an even more innovative and competitive product and solution portfolio. This transaction is expected to close at the end of calendar year 2018.

Also with regard to executing our **financial target system**, fiscal 2017 was another very successful year for Siemens and for most of our industrial businesses and Financial Services (SFS). We raised our guidance for basic earnings per share (EPS) from net income after the first quarter. After the second quarter, we confirmed this raised forecast and included in the EPS guidance previously excluded burdens resulting from portfolio changes. We reached or exceeded all the targets set for our primary measures for fiscal 2017. We achieved revenue growth of 3% net of currency translation and portfolio effects. Net income and basic EPS from net income rose 11% and 10%, respectively. Excluding burdens related to the acquisition of Mentor Graphics and the merger with Gamesa, Return on capital employed (ROCE) was slightly above the lower end of our target range of 15% to 20%. Our capital structure ratio came in slightly below 1.

Orders for fiscal 2017 were €85.7 billion, down 1% year-over-year. The decline was due to contracting markets for Power and Gas, which in the prior fiscal year had recorded large orders for power plants in Egypt. All other industrial businesses recorded increases. Orders grew at double-digit rates at Mobility and Digital Factory, the latter on the particular strength of its short-cycle businesses and supported by new volume from the Mentor Graphics acquisition. Order growth at SGRE was due to new volume from the merger with Gamesa. At 1.03, our book-to-bill ratio fulfilled our expectation of a ratio above 1.0.

Revenue rose to €83.0 billion, up 4% year-over-year. Except for Power and Gas and Process Industries and Drives, all industrial businesses contributed to revenue growth. Revenue growth was led by substantial growth at SGRE, due mainly to new volume from the merger with Gamesa, and by significant growth at Digital Factory due to the strength of the Division's short-cycle businesses and to the Mentor Graphics acquisition. Excluding currency translation and portfolio effects, overall revenue grew 3%. For fiscal 2017, we had forecast modest growth in revenue, net of currency translation and portfolio effects.

Industrial Business profit rose 8% to €9.5 billion. All industrial businesses except Power and Gas and SGRE increased their profit year-over-year. The strongest increases came from Digital Factory and Building Technologies, which together with Healthineers and Mobility achieved excellent results for the fiscal year. Energy Management continued its solid improvement. While profit at Process Industries and Drives grew, this increase was due primarily to lower severance charges year-over-year. As planned, we increased R&D and selling expenses in our industrial businesses, with a strong emphasis on digitalization, including the further advancement of our MindSphere platform.

The **profit margin of our Industrial Business** increased to 11.2%, up from 10.8% in the prior fiscal year. We thus reached our forecast as of the end of the first quarter of fiscal 2017, which was raised from a range of between 10.5% and 11.5% to a range of between 11.0% and 12.0%. Six of our eight industrial businesses improved their margins year-over-year, and five reached or exceeded their margin ranges. In challenging market environments, Power and Gas, SGRE and Process Industries and Drives missed their target ranges in fiscal 2017. With a return on equity after tax of 19.9%, SFS, which is reported outside our Industrial Business, reached the upper end of its margin range.

The loss outside the Industrial Business came in lower year-over-year. This was due mainly to positive effects related to the measurement of a major asset retirement. These effects were partly offset by higher amortization of intangible assets acquired in business combinations, mainly related to the merger with Gamesa and to the Mentor Graphics acquisition.

Net income in fiscal 2017 rose 11% to €6.2 billion, and basic EPS from net income was up 10% to €7.44. We thus reached our raised forecast, which was for an increase in basic EPS from net income in the range of €7.20 to €7.70, up from the range of €6.80 to €7.20 that was forecast in our Annual Report for fiscal 2016. Net income development benefited from our continuous efforts to increase productivity. In fiscal 2017, total cost productivity improved 5%, reaching the upper end of our fiscal 2017 target of 3% to 5%.

ROCE for fiscal 2017 was 13.5%, down from 14.3% in fiscal 2016. This decline was due primarily to burdens related to the merger with Gamesa and the acquisition of Mentor Graphics, which we had excluded from our ROCE forecast for fiscal 2017. Excluding these burdens, ROCE reached the lower end of the 15% to 20% range that we generally aim to achieve. We thus reached our forecast, which was to come close to or reach the lower end of our target range.

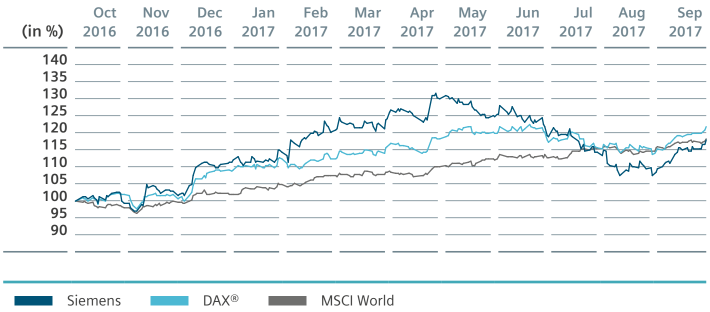
We evaluate our **capital structure** using the ratio of industrial net debt to EBITDA. For fiscal 2017, this ratio was 0.9, compared to 1.0 in fiscal 2016. We thus reached our forecast, which was to achieve a ratio of up to 1.0.

Free cash flow from continuing and discontinued operations for fiscal 2017 was €4.8 billion, down 13% compared to the prior fiscal year.

We intend to continue providing an attractive return to shareholders. As in the past, we intend to fund our dividend payout from Free cash flow. The Siemens Managing Board, in agreement with the Supervisory Board, proposes a **dividend** of €3.70 per share, up from €3.60 a year earlier.

The Siemens Share/Investor Relations

Change in the value of an investment in Siemens shares in fiscal 2017
(with dividends reinvested; indexed)



Stock performance. Over the entire fiscal year, Siemens stock performed very well in a positive market environment, reaching a new all-time closing high of €133.20 (XETRA closing price) per share in April 2017. At the end of the fiscal year (September 30, 2017) the Siemens share closed at €119.20. For shareholders who reinvested their dividends, this amounted to a gain of 17.9%. In the same period, the leading German stock exchange index, the DAX, rose 22.1%, while the leading international index MSCI World advanced 18.2% (in both cases, with dividends reinvested).

The strength of the Siemens share is illustrated by a long-term comparison: The assets of an investor who acquired Siemens stock worth €1,000 at the beginning of fiscal 2008 and reinvested the dividends and the corresponding value of the OSRAM spinoff in Siemens shares would have increased to €1,858 by the end of fiscal 2017. This annual return of 6.4% (on a comparable basis) is above the results for MSCI World (+4.2%) and the DAX 30 (+5.0%).

Stock market information

		FY 2017[1]	FY 2016[1]
Siemens stock price (Xetra closing price)			
High	in €	**133.20**	108.60
Low	in €	**101.05**	79.03
Fiscal year-end	in €	**119.20**	104.20
Number of shares issued (September 30)	in millions	**850**	850
Market capitalization[2] (September 30)	in millions of €	**97,210**	84,223
Basic earnings per share[3]	in €	**7.44**	6.74
Diluted earnings per share[3]	in €	**7.29**	6.65
Dividend per share	in €	**3.70[4]**	3.60

1 Fiscal year from October 1 to September 30.
2 On the basis of outstanding shares.
3 Continuing and discontinued operations.
4 To be proposed to the Annual Shareholders' Meeting.

Siemens on the capital market. Our responsibility for maintaining an intensive dialogue with the capital market is of great importance to us. Cultivating close contacts with our shareholders, we keep them informed of all major developments throughout Siemens. As part of our investor relations work, we provide information on our Company's development in earnings releases and half-year and annual reports. Our CEO and CFO also maintain close contact with investors through roadshows and conferences. In addition, Siemens holds Capital Market Days, at which Company management informs investors and analysts about our business strategy and market environment.

Our financial calendar, half-year and annual reports, earnings releases, ad hoc announcements, analyst presentations, shareholder letters, equity story and press releases are published online at **WWW.SIEMENS.COM/INVESTOR/EN**.

Further information

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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, 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 this 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.