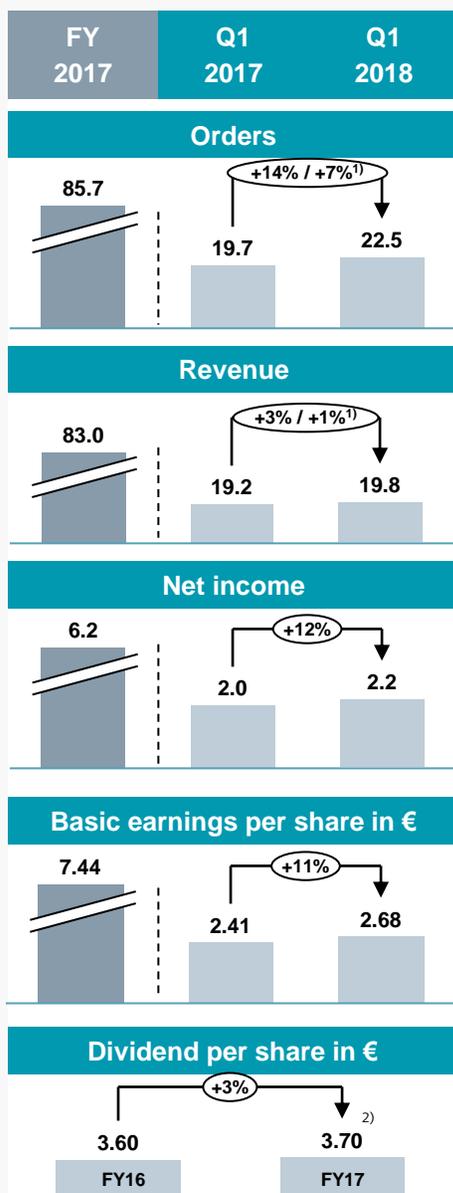


# Shareholder Letter

## February 2018

### 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 January 31, 2018

Ladies and gentlemen, dear shareholders,



Siemens held its Annual Shareholders' Meeting on January 31, 2018. Prior to the event CEO Joe Kaeser and CFO Ralf Thomas reviewed the Q1 results in an Analyst Conference Call.

*"The first quarter underlines the strength of our company. We take advantage of the growth momentum of the global economic upturn and set benchmarks in industrial digitalization. We clearly understand our opportunities and we know what we have to do,"* said Siemens CEO Joe Kaeser.

**The first quarter of fiscal 2018 in a nutshell:** comparable orders rose 7% to **€22.5 billion** and revenue was up 1% at **€19.8 billion**, including strong growth from Mobility and Digital Factory. The book-to-bill ratio rose to reach 1.13, the highest ratio since the booking of large Egypt orders in Q2 FY 2016.

**Industrial Business margin** reached **11 percent**. As expected it was impacted by a margin drop in Power and Gas. Most divisions are in or at the margin target range with **Mobility** and **Digital Factory** even above the margin target range.

**Net income** rose **12% to €2.2 billion**. **Basic earnings per share** increased to **€2.68** by **11%** compared to last year.

At the **Annual Shareholders' Meeting** 57.3% of the voting capital was represented in the Olympiahalle in Munich. This was the highest presence for more than 20 years. A dividend increase of 3% from €3.60 to €3.70 was decided.

We would like to thank Dr. Gerhard Cromme since this was his final AGM as Chairman of the Supervisory Board. At the same time we are looking forward to working together with Jim Hagemann Snabe, who was elected new Chairman of the Supervisory Board.

In our FAQ section on page 5 we gathered currently available information on **Siemens Healthineers**. Furthermore, we created a new investor relations product for our retail shareholders. The "**Siemens Equity Story snapshot**" can be found [here](#).

Dear shareholders, I want to thank you for your trust and interest in Siemens and hope you enjoy reading our shareholder letter.

Kind regards,

Head of Investor Relations, Siemens AG

# Share Performance

## Share performance on January 31, 2018 (Quarterly results publication)

Siemens share closed **+0.8%** significantly stronger than the **DAX (-0.1%)** due to **order and profit beat**, in particular Digital Factory and Mobility showed strong performance.

## Share performance Nov 10, 2017 – Jan 31, 2018

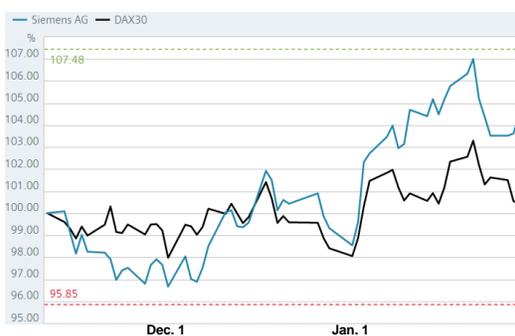
Early **December** DAX and Siemens developed positively after the US Senate had passed a tax proposal which was expected to deliver significant fiscal stimulus and could lead to increased exports into the US. This effect vanished after optimism regarding the US tax reform lost its strength, and the German ifo business index edged downward mid of December.

In **January**, investor sentiment turned positive after the Euro had fallen again and the US markets had started a New Year's rally. **Siemens outperformed the DAX in January** driven by dividend expectations and positioning ahead of the quarter.

## Siemens versus peers from Nov 10, 2017 – Jan 31, 2018

In comparison to the main **competitors and the DAX**, the Siemens share (+4%) outperformed GE (-21%), the DAX (flat), Rockwell (+2%) and ABB (+3%) but performed weaker than Schneider (+6%) and Eaton (+8%).

## Share performance Nov 10, 2017 – Jan 31, 2018



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

- Significant revenue decline, particularly in the solutions business which in Q1 FY 2017 recorded higher revenue from large orders in Egypt
- Despite continuing strong contribution from the service business, profit down sharply on lower revenue, price declines and reduced capacity utilization

## Siemens signs contracts with GECOL to boost power generation capacity in Libya by 1.3 GW



Siemens has signed contracts with the state-owned utility General Electricity Company of Libya to expand Libya's power generation capacity by approximately 1.3 GW. Under these contracts Siemens will build a 650 MW open cycle power plant in Misrata, equipped with two F-class gas turbines, and a 690 MW open cycle power plant in Tripoli West, equipped with four E-class gas turbines. The total volume of the contracts, including long-term service, is in the range of €700 million. (for further information, please click [here](#))

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

## Energy Management

- Revenue growth on a comparable basis primarily due to increases in the medium and low voltage product businesses
- Profit and profit margin on prior-year level despite negative currency effects

## Siemens to provide transformers for HVDC link between England and France



Siemens will deliver four transformers, each with a capacity of 400 kilovolts and 315 megavolt amperes, on behalf of the British grid operator National Grid. The HVDC link connects France and England and makes it possible to efficiently exchange energy in both directions. The order includes the supply, installation and commissioning of the transformers. Siemens will complete the work by mid-2019. (for further information, please click [here](#))

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

## Building Technologies

- Revenue growth particularly in Asia, Australia and the Americas, which on a comparable basis included double-digit growth in China and the U.S., respectively
- Strong first-quarter profit contribution held back by cost overruns in the Middle East

## Bicycle infrastructure in the Netherlands improved with Siemens technology



The Siemens Building Technologies Division (BT) is working with NS Stations, the operator of railway stations in the Netherlands, to optimize bicycle parking at 47 Dutch railway stations with the user-friendly and secure self-service bicycle parking solution from Siemens. The unmanned bike parking facilities will be available for parking privately owned as well as rental bikes. In addition to modernizing and equipping the parking stations, Siemens will provide 24/7 system monitoring to ensure system availability as well as predictive maintenance for a period of 8 years. (for further information, please click [here](#))

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

# News from our Industrial Business

## Mobility

- Revenue and profit climbed on successful execution of large rolling-stock and locomotive orders in Europe and the U.S.

### ICE 4 begins regular service



With December 10<sup>th</sup>, 2017 timetable change, Deutsche Bahn AG introduced the ICE 4 into regular service. Initially, 5 trains will operate on the routes between Hamburg and Munich as well as Hamburg and Stuttgart. The ICE 4 fleet will grow to 9 trains by the summer of 2018. All in all, Siemens will deliver a total of 119 trains by 2023. Of these, 100 will be in a 12-car configuration and 19 in a 7-car configuration. "The ICE 4 is the new flagship for our long-distance routes and sets standards for our passengers" says Birgit Bohle, Chairwoman of the Management Board of DB Fernverkehr AG. (for further information, please click [here](#))

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

## Digital Factory

- On a geographic basis, volume increases in all reporting regions, including substantial growth in China
- Strong profit performance in the factory automation business and from Mentor Graphics in the typically strong calendar yearend quarter

### Worldwide user organization founded for open IoT platform MindSphere



Working hand in hand with 18 partner companies, Siemens AG is founding "MindSphere World", a worldwide user organization for the cloud-based open IoT operating system MindSphere. Its aim is to expand the global reach of the ecosystem based on MindSphere. The organization is also designed to afford support to its individual members in developing and improving IoT solutions on the MindSphere platform and in tapping new markets in the digital economy.

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

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

## Process Industries and Drives

- Revenue growth in the large drives and process automation businesses more than offset by declines in other businesses
- Profit improvement due mainly to a particularly strong performance in the process automation business; overall profit and profitability held back by negative currency effects

### Siemens supplies electrical equipment for underground copper mine in Mongolia



Siemens is undertaking the engineering, design, production and supply of the electrical equipment for the Oyu Tolgoi copper mine conveyor system. The new system extends the existing opencast mining facility and is expected to bring 95,000 tons of copper ore to the surface per day. The conveyor system has to overcome a difference in height of almost 1,400 m. The order value is in the tens of millions of Euros.

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

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

## Siemens Healthineers

- Comparable revenue growth led by the advanced therapies business; on a geographic basis, revenue growth mainly in China
- Significant currency headwinds and a less favorable business mix compared to the strong quarter a year ago result in lower profitability

### Siemens Healthineers announces acquisition of Fast Track Diagnostics



Siemens Healthineers has signed an agreement to acquire Luxembourg-based Fast Track Diagnostics (FTD), a global supplier of molecular diagnostic tests. The acquisition of FTD underscores the Siemens Healthineers commitment to molecular diagnostics, a designated growth area for the company. Through the acquisition, Siemens Healthineers will now include FTD's sites in Luxembourg, Malta, and India, as well as its workforce of about 80 employees. (for further information, please click [here](#))

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

## Siemens Gamesa Renewable Energy

- Revenue and profitability reflect low installation activity and ongoing pricing pressure in the onshore business

### Siemens Gamesa, supplier of 950 MW to Vattenfall at 3 offshore projects in Denmark



Siemens Gamesa Renewable Energy was selected by Vattenfall to supply 113 wind turbines of the 8 MW class at 3 offshore wind power plants being developed in Danish waters. Specifically, the company signed an agreement with Vattenfall for the supply 72 SG 8.0-167 DD turbines at the Danish Kriegers Flak offshore wind project –with a total capacity of 600 MW. This will be the largest offshore wind power plant in the Baltic Sea. (for further information, please click [here](#))

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

SIEMENS

Ingenuity for life

## Siemens Annual General Meeting 2018

### January 31, 2018

On January 31, 2018, at 8 a.m. doors opened again on time at the Olympiahalle. Around **6,900 participants** came to Munich to the Annual General Meeting (AGM) of Siemens AG. Apart from the participants in the Olympiahalle in Munich, also ~2,400 shareholders followed the AGM via live-stream over the internet.

At 10 a.m., Dr. **Gerhard Cromme**, Chairman of the Supervisory Board, opened the AGM officially with his introductory speech. A special thanks to Dr. Cromme after **15 years as a member of the Siemens Supervisory Board** and thereof **11 years as the Chairman of the Supervisory Board**. At its constituent meeting on January 31, 2018, the Supervisory Board elected Jim Hagemann Snabe as new Chairman of the Supervisory Board.

**The shareholder's approval for all resolutions was very high.** An overview of the results can be found in the table below. Among the 7 candidates, which were proposed for election as shareholder representatives of the Supervisory Board, 4 new candidates could be elected. Those were Mr. Werner Brandt, Chairman of the Supervisory Board of RWE AG and of ProSiebenSat.1 Media, Mr. Benoît Potier, Chairman and Chief Executive Officer of French Air Liquide, Mrs. Dame Nemat Talaat (Minouche) Shafik, Director of the London School of Economics as well as Matthias Zachert, Chairman of the Board of Management of LANXESS AG.

With **57.3% of the voting capital represented in the Olympiahalle in Munich this was the highest presence at a Siemens AGM for more than 20 years.** The AGM 2019 will presumably take place on January 30, 2019. ([more information](#))

Item 2 Appropriation of net income	99.93%	Item 7 Modernization and flexibilization of the object of the Company	99.92%
Item 3 Ratification of the acts of the Managing Board (all)	>99.50%	Item 8 Amendment of Articles of Association relating to admission to and voting at Shareholders' Meeting	99.71%
Item 4 Ratification of the acts of the Supervisory Board (all)	>99.60%	Item 9 Control and Profit-and-Loss Transfer Agreement with Flender GmbH	99.94%
Item 5 Appointment of independent auditors	99.73%	Item 10 Control and Profit-and-Loss Transfer Agreement with	
Item 6 Election of members to the Supervisory Board		a) Kyros 53 GmbH	99.93%
a) Dr. Werner Brandt	97.89%	b) Kyros 54 GmbH	99.93%
b) Michael Diekmann	96.26%		
c) Benoît Potier	88.49%		
d) Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer	97.98%		
e) Dame Nemat Talaat (Minouche) Shafik	98.35%		
f) Dr. phil. Nathalie von Siemens	96.94%		
g) Matthias Zachert	97.96%		

[detailed voting results](#)

## Siemens Innovation Day 2017

### December 15, 2017

#### Siemens further expands its leadership role in industrial digitalization:

Siemens is the first company worldwide to set up **20 centers for digital customer applications in the industrial sector**. Each of these **MindSphere Application Centers for digital offerings** from Siemens spans multiple locations in different countries and specializes in a particular industry in which Siemens is active. During fiscal 2017, Siemens further **extended its market leadership in software solutions and digital services**. Revenue from **digital technologies rose to €5.2 billion** – of which €4 billion was attributable to software and €1.2 billion to digital services. This corresponds to a 20% increase year-over-year. To further accelerate the innovation process, Siemens will again increase its research and development (R&D) expenditures in fiscal 2018 and invest an additional sum of around €450 million. As a result, R&D spending will increase from about €5.2 billion in fiscal 2017 to over €5.6 billion in fiscal 2018.

([further information](#))

Excellent scores  
for Innovation Management in  
Dow Jones Sustainability Index



## Frequently Asked Questions

After Siemens announced already in November 2016, that it is planning to list Siemens Healthineers on the stock market, some questions regarding the IPO could be answered end of November 2017.

### Why will Siemens Healthineers be listed publicly?

*For Siemens Healthineers, the public listing is the next logical step and the foundation for expanding our strong position as a leading global supplier of healthcare technology.*

### When will the listing take place?

*The listing is planned for the first half of calendar year 2018.*

### Where will Siemens Healthineers be listed?

*On the Prime Standard segment of the Frankfurt Stock Exchange's Regulated Market.*

### Did Siemens Healthineers already provide more information about its strategy?

*Siemens Healthineers provided a detailed overview of its businesses and strategy during its Capital Market Day on January 16, 2018.*

### Will Siemens shareholders have pre-emptive rights?

*Information regarding the public listing (including the provision of offers to buy) will be published in due time. Thank you very much for your patience.*

(further information can be found [here](#))

## Financial Calendar

9

May  
2018

2

August  
2018

8

November  
2018

2nd quarter 2018  
financial results

3rd quarter 2018  
financial results

4th quarter 2018  
financial results

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

## We are happy to answer all of your questions

### Investor Relations:

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



Your Siemens IR Team

### Address:

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80333 Munich  
Germany

## How does Siemens assess the further course of fiscal 2018?

We expect a mixed picture in our market environment in fiscal 2018, ranging from strong markets for our short-cycle businesses to unfavorable dynamics in our energy generation markets, as well as geopolitical uncertainties that may restrict investment sentiment. For fiscal 2018 we 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 a profit margin of 11.0% to 12.0% for our Industrial Business and basic EPS from net income in the range of €7.20 to €7.70, both excluding severance charges.

This outlook excludes charges related to legal and regulatory matters, effects on EPS associated with minorities holding shares in Healthineers following the planned IPO, and potential effects which may follow the introduction of a new strategic program.

## 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.

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