

SIEMENS

Ingenuity for life

Half-year Financial Report

First Half of Fiscal 2017

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Introduction

Siemens AG's Half-year Financial Report complies with the applicable legal requirements of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) and comprises condensed Half-year Consolidated Financial Statements, an Interim Group Management Report and a Responsibility statement in accordance with section 37w WpHG.

The Half-year Consolidated Financial Statements are in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU.

This Half-year Financial Report should be read in conjunction with our Annual Report for fiscal 2016, which includes a detailed analysis of our operations and activities as well as explanations of financial measures used.

A. Interim Group Management Report

A.1 Results of operations

A.1.1 Orders and revenue by regions

| Orders (location of customer)

(in millions of €)	First half		% Change	
	FY 2017	FY 2016	Actual	Comp.
Europe, C.I.S., Africa, Middle East	22,696	26,790	(15)%	(14)%
<i>therein: Germany</i>	7,189	5,439	32%	32%
Americas	10,894	10,931	0%	(3)%
<i>therein: U.S.</i>	7,775	8,320	(7)%	(9)%
Asia, Australia	8,592	7,374	17%	16%
<i>therein: China</i>	3,471	3,272	6%	10%
Siemens	42,182	45,095	(6)%	(7)%
<i>therein: emerging markets</i>	13,298	17,066	(22)%	(22)%

Siemens worldwide

- Order decrease was influenced strongly by a lower volume from large orders
- Currency translation and portfolio effects had a minimal effect on overall order development year-over-year
- Book-to-bill ratio of 1.07
- Industrial Business order backlog with new high at €117 billion

Europe, C.I.S., Africa, Middle East

- Decrease due to sharply lower volume from large orders in Power and Gas; first half FY 2016 included orders totaling €4.7 billion for power plants, including service, in Egypt
- In Germany, sharply higher volume from large orders in Wind Power and Renewables included a €1.4 billion contract win for an offshore wind-farm, including service

Americas

- U.S. decline in orders due to Power and Gas and Wind Power and Renewables, which more than offset increases particularly in Mobility and Building Technologies

Asia, Australia

- Order increases in most industrial businesses were led by Energy Management and Wind Power and Renewables
- In China, increases, mainly in Digital Factory and Wind Power and Renewables, were only partly offset by declines primarily in Mobility

| Revenue (location of customer)

(in millions of €)	First half		% Change	
	FY 2017	FY 2016	Actual	Comp.
Europe, C.I.S., Africa, Middle East	20,567	19,763	4%	6%
<i>therein: Germany</i>	5,145	5,198	(1)%	(1)%
Americas	11,247	10,869	3%	1%
<i>therein: U.S.</i>	8,166	8,090	1%	(1)%
Asia, Australia	7,523	7,255	4%	3%
<i>therein: China</i>	3,253	3,103	5%	8%
Siemens	39,338	37,887	4%	4%
<i>therein: emerging markets</i>	13,362	12,602	6%	7%

Siemens worldwide

- Higher revenue in most industrial businesses, with strongest contributions from Digital Factory, most notably in the short-cycle business, and Power and Gas
- Currency translation and portfolio effects had a minimal effect on overall revenue development year-over-year

Europe, C.I.S., Africa, Middle East

- Increases in most industrial businesses, driven by Power and Gas, Wind Power and Renewables and Digital Factory

Americas

- Increases in the majority of industrial businesses, led by Power and Gas

Asia, Australia

- Energy Management and Digital Factory drove revenue growth for the region and China, partly offset by declines in Power and Gas and in Mobility (particularly in China)

A.1.2 Income

(in millions of €, earnings per share in €)	First half		% Change
	FY 2017	FY 2016	
Power and Gas	918	884	4%
<i>Profit margin</i>	11.5%	11.6%	
Wind Power and Renewables	266	188	42%
<i>Profit margin</i>	9.2%	7.1%	
Energy Management	414	355	17%
<i>Profit margin</i>	7.1%	6.5%	
Building Technologies	405	242	68%
<i>Profit margin</i>	12.8%	8.3%	
Mobility	376	346	9%
<i>Profit margin</i>	9.8%	8.7%	
Digital Factory	1,150	780	47%
<i>Profit margin</i>	21.8%	16.0%	
Process Industries and Drives	268	215	25%
<i>Profit margin</i>	6.2%	4.9%	
Healthineers	1,208	1,095	10%
<i>Profit margin</i>	18.0%	16.6%	
Industrial Business	5,006	4,105	22%
<i>Profit margin</i>	12.5%	10.7%	
Financial Services (SFS)	347	394	(12)%
Reconciliation to Consolidated Financial Statements	(516)	(720)	28%
Income from continuing operations before income taxes	4,836	3,779	28%
Income tax expenses	(1,452)	(902)	(61)%
Income from continuing operations	3,385	2,878	18%
Income from discontinued operations, net of income taxes	37	159	(77)%
Net income	3,422	3,037	13%
Basic earnings per share	4.14	3.67	13%
ROCE	15.9%	15.7%	

Industrial Business

- Higher revenue, strong performances in high-margin businesses, improved project execution and higher productivity lifted profits across all industrial businesses, which were in or above their respective target profit margin ranges with the exception of Process Industries and Drives
- Severance charges for Industrial Business were €103 million (first half FY 2016: €139 million)
- Higher research and development expenses, as planned, primarily in Healthineers and Digital Factory
- Positive effect related to amendments of pension plans totaling €138 million, of which €94 million is taken in Building Technologies
- Gain of €172 million (recognized in Other operating income) at Digital Factory related to the eCar business, which was contributed to a newly formed joint venture, Valeo Siemens eAutomotive
- First half FY 2016 included positive effects totaling €130 million at Power and Gas resulting from revised estimates related to contracts in Iran; global energy trends continue to depress overall demand in markets for that Division's offerings, resulting in declining new-unit business and corresponding price pressure

Income from continuing operations before income taxes

- Financial Services: strong earnings contribution from the equity business in both periods; first half FY 2016 benefited from a positive effect of €92 million resulting from an at-equity investment
- Severance charges for continuing operations were €134 million (first half FY 2016: €167 million)
- Positive effects totaling €355 million resulting from higher interest rates used in the measurement of a major asset retirement obligation led to a swing in Other financial income (expense), net
- €230 million impairment of Siemens' stake in Primetals Technologies Ltd. as main factor for negative swing of Income (loss) from investments accounted for using the equity method, net

Income from continuing operations

- Tax rate 30%; low tax rate of 24% in the first half FY 2016, primarily due to release of a deferred tax liability

Income from discontinued operations, net of income taxes

- First half FY 2016 included €78 million related to former Siemens IT Solutions and Services activities and a gain of €60 million from the sale of remaining financial assets in the hearing aid business

Net income, Basic earnings per share, ROCE

- ROCE up slightly and in the target range due to strong Net income (annualized in the numerator for calculation purposes), even with clear increase in average capital employed resulting mainly from acquisition of Mentor Graphics Corporation (Mentor Graphics) at the end of first half FY 2017

A.2 Net assets position

(in millions of €)	Mar 31, 2017	Sep 30, 2016	% Change
Current assets	57,615	55,329	4%
<i>therein: total liquidity</i>	11,155	11,897	(6)%
Non-current assets	73,751	70,388	5%
Total assets	131,366	125,717	4%
Current liabilities	41,672	42,916	(3)%
Non-current liabilities	51,151	47,986	7%
Equity	38,543	34,816	11%
Total liabilities and equity	131,366	125,717	4%

Increase in total assets influenced by positive currency translation effects totaling €2.4 billion, primarily involving the US dollar

Current assets

- Higher trade and other receivables due primarily to the acquisition of Mentor Graphics
- Increase in other current financial assets related mainly to loans receivables at SFS, which included reclassifications from non-current to current
- Higher inventories in all industrial businesses, with the build-up most evident in the Power and Gas Division

Non-current assets

- Higher goodwill and other intangible assets due mainly to the acquisition of Mentor Graphics
- Deferred tax assets decreased due mainly to remeasurements of defined benefit plans

Current liabilities

- Redemption of bonds were partly offset by the issuance of commercial paper and the reclassification of US\$ 0.5 billion bonds from non-current to current debt; furthermore as part of the acquisition of Mentor Graphics Siemens assumed €0.4 billion convertible bonds

Non-current liabilities

- Long-term debt increased due primarily to the issuance of US\$ 7.5 billion bonds partly offset by the above-mentioned reclassification
- Provisions for pensions and similar obligations as of March 31, 2017: €10.5 billion (September 30, 2016: €13.7 billion); decline due mainly to a higher discount rate assumption; weighted-average discount rate as of March 31, 2017: 2.3% (September 30, 2016: 1.7%)
- Provisions decreased due mainly to a reduced major asset retirement obligation

Equity

- Increase related mainly to net income and a positive other comprehensive income, net of income taxes, due to positive results from remeasurements of defined benefit plans, partly offset by dividend payments

A.3 Financial position

Cash flows

	First half FY 2017		
(in millions of €)	Continuing operations	Discontinued operations	Continuing and discontinued operations
Cash flows from:			
Operating activities	2,375	(27)	2,348
Investing activities	(4,288)	(3)	(4,290)
<i>therein: Additions to intangible assets and property, plant and equipment</i>	<i>(896)</i>	<i>-</i>	<i>(896)</i>
Free cash flow	1,479	(27)	1,452
Financing activities	1,119	-	1,119

Cash flows from operating activities

- Conversion of profit into a significant amount of cash inflows from operating activities was particularly evident in Healthineers and Digital Factory
- A build-up of inventories in connection with our project businesses was the main factor for the cash outflows of €0.8 billion related to the change in operating net working capital

Cash flows from investing activities

- Cash outflows of €3.5 billion for acquisitions of businesses, net of cash acquired, related to the acquisition of Mentor Graphics
- Inflows from disposals and outflows for purchases of current available-for-sale financial assets were offsetting, at a positive €0.4 billion and negative €0.4 billion, respectively; both in- and outflows included changes in assets eligible as central bank collateral

Cash flows from financing activities

- Cash inflows of €7.0 billion from issuance of US\$7.5 billion bonds with different maturities up to 30 years
- Cash outflows of €3.6 billion for redemption of bonds
- Cash outflows of €2.9 billion for dividends paid to shareholders of Siemens AG
- Cash inflows of €1.3 billion from the change in short-term debt and other financing activities included mainly the issuance of US dollar commercial paper

A.4 Outlook

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.

A.5 Risks and opportunities

In our Annual Report for fiscal 2016 we described certain risks, which could have a material adverse effect on our business, financial condition (including effects on assets, liabilities and cash flows), results of operations and reputation, our most significant opportunities as well as the design of our risk management system.

During the reporting period, we identified no further significant risks and opportunities besides those presented in our Annual Report for fiscal 2016 and in this Half-year Financial Report. Additional risks and opportunities not known to us or that we currently consider immaterial could also affect our business operations. At present, no risks have been identified that either individually or in combination with other risks could endanger our ability to continue as a going concern. We refer also to C.3 Notes and forward-looking statements.

B. Half-year Consolidated Financial Statements

B.1 Consolidated Statements of Income

(in millions of €, per share amounts in €)	First half	
	FY 2017	FY 2016
Revenue	39,338	37,887
Cost of sales	(26,812)	(26,282)
Gross profit	12,525	11,605
Research and development expenses	(2,341)	(2,211)
Selling and general administrative expenses	(5,772)	(5,729)
Other operating income	395	96
Other operating expenses	(262)	(206)
Income (loss) from investments accounted for using the equity method, net	(81)	152
Interest income	731	656
Interest expenses	(486)	(496)
Other financial income (expenses), net	127	(89)
Income from continuing operations before income taxes	4,836	3,779
Income tax expenses	(1,452)	(902)
Income from continuing operations	3,385	2,878
Income from discontinued operations, net of income taxes	37	159
Net income	3,422	3,037
Attributable to:		
Non-controlling interests	68	68
Shareholders of Siemens AG	3,354	2,969
Basic earnings per share		
Income from continuing operations	4.10	3.48
Income from discontinued operations	0.05	0.20
Net income	4.14	3.67
Diluted earnings per share		
Income from continuing operations	4.02	3.43
Income from discontinued operations	0.04	0.19
Net income	4.06	3.63

B.2 Consolidated Statements of Comprehensive Income

(in millions of €)	First half	
	FY 2017	FY 2016
Net income	3,422	3,037
Remeasurements of defined benefit plans	2,261	(1,321)
<i>therein: Income tax effects</i>	(861)	497
Income (loss) from investments accounted for using the equity method, net	(2)	5
Items that will not be reclassified to profit or loss	2,259	(1,316)
Currency translation differences	444	(570)
Available-for-sale financial assets	358	15
<i>therein: Income tax effects</i>	(5)	10
Derivative financial instruments	37	177
<i>therein: Income tax effects</i>	(20)	(64)
Income (loss) from investments accounted for using the equity method, net	48	(122)
Items that may be reclassified subsequently to profit or loss	888	(500)
Other comprehensive income, net of income taxes	3,147	(1,815)
Total comprehensive income	6,568	1,221
Attributable to:		
Non-controlling interests	90	62
Shareholders of Siemens AG	6,479	1,159

B.3 Consolidated Statements of Financial Position

(in millions of €)		Mar 31, 2017	Sep 30, 2016
Assets			
Cash and cash equivalents		9,881	10,604
Available-for-sale financial assets		1,274	1,293
Trade and other receivables		16,871	16,287
Other current financial assets		7,318	6,800
Inventories		19,752	18,160
Current income tax assets		886	790
Other current assets		1,474	1,204
Assets classified as held for disposal		158	190
Total current assets		57,615	55,329
Goodwill		27,131	24,159
Other intangible assets		9,036	7,742
Property, plant and equipment		10,431	10,157
Investments accounted for using the equity method		2,873	3,012
Other financial assets		20,712	20,610
Deferred tax assets		2,145	3,431
Other assets		1,424	1,279
Total non-current assets		73,751	70,388
Total assets		131,366	125,717
Liabilities and equity			
Short-term debt and current maturities of long-term debt	3	5,184	6,206
Trade payables		7,968	8,048
Other current financial liabilities		1,919	1,933
Current provisions		3,989	4,166
Current income tax liabilities		2,034	2,085
Other current liabilities		20,493	20,437
Liabilities associated with assets classified as held for disposal		86	40
Total current liabilities		41,672	42,916
Long-term debt	3	31,977	24,761
Provisions for pensions and similar obligations		10,473	13,695
Deferred tax liabilities		1,175	829
Provisions		4,025	5,087
Other financial liabilities		971	1,142
Other liabilities		2,529	2,471
Total non-current liabilities		51,151	47,986
Total liabilities		92,823	90,901
Equity	4		
Issued capital		2,550	2,550
Capital reserve		5,985	5,890
Retained earnings		30,070	27,454
Other components of equity		2,788	1,921
Treasury shares, at cost		(3,473)	(3,605)
Total equity attributable to shareholders of Siemens AG		37,920	34,211
Non-controlling interests		623	605
Total equity		38,543	34,816
Total liabilities and equity		131,366	125,717

B.4 Consolidated Statements of Cash Flows

(in millions of €)	First half	
	FY 2017	FY 2016
Cash flows from operating activities		
Net income	3,422	3,037
Adjustments to reconcile net income to cash flows from operating activities - continuing operations		
Income from discontinued operations, net of income taxes	(37)	(159)
Amortization, depreciation and impairments	1,330	1,340
Income tax expenses	1,452	902
Interest (income) expenses, net	(245)	(160)
(Income) loss related to investing activities	(191)	(220)
Other non-cash (income) expenses	174	253
Change in operating net working capital		
Inventories	(1,277)	(1,483)
Trade and other receivables	261	(433)
Trade payables	(205)	(582)
Billings in excess of costs and estimated earnings on uncompleted contracts and related advances	403	790
Additions to assets leased to others in operating leases	(232)	(219)
Change in other assets and liabilities	(2,281)	(1,991)
Income taxes paid	(1,063)	(864)
Dividends received	184	139
Interest received	681	580
Cash flows from operating activities - continuing operations	2,375	929
Cash flows from operating activities - discontinued operations	(27)	(31)
Cash flows from operating activities - continuing and discontinued operations	2,348	898
Cash flows from investing activities		
Additions to intangible assets and property, plant and equipment	(896)	(814)
Acquisitions of businesses, net of cash acquired	(3,469)	(63)
Purchase of investments	(279)	(105)
Purchase of current available-for-sale financial assets	(392)	(509)
Change in receivables from financing activities	25	(416)
Disposal of investments, intangibles and property, plant and equipment	341	155
Disposal of businesses, net of cash disposed	(27)	10
Disposal of current available-for-sale financial assets	410	470
Cash flows from investing activities - continuing operations	(4,288)	(1,273)
Cash flows from investing activities - discontinued operations	(3)	276
Cash flows from investing activities - continuing and discontinued operations	(4,290)	(996)
Cash flows from financing activities		
Purchase of treasury shares	(144)	(285)
Re-issuance of treasury shares and other transactions with owners	27	(13)
Issuance of long-term debt	6,958	-
Repayment of long-term debt (including current maturities of long-term debt)	(3,581)	(467)
Change in short-term debt and other financing activities	1,311	743
Interest paid	(423)	(377)
Dividends paid to shareholders of Siemens AG	(2,914)	(2,827)
Dividends attributable to non-controlling interests	(115)	(162)
Cash flows from financing activities - continuing operations	1,119	(3,387)
Cash flows from financing activities - discontinued operations	-	-
Cash flows from financing activities - continuing and discontinued operations	1,119	(3,387)
Effect of changes in exchange rates on cash and cash equivalents	88	(165)
Change in cash and cash equivalents	(736)	(3,650)
Cash and cash equivalents at beginning of period	10,618	9,958
Cash and cash equivalents at end of period	9,881	6,307
Less: Cash and cash equivalents of assets classified as held for disposal and discontinued operations at end of period	-	-
Cash and cash equivalents at end of period (Consolidated Statements of Financial Position)	9,881	6,307

B.5 Consolidated Statements of Changes in Equity

	Issued capital	Capital reserve	Retained earnings	Currency translation differences	Available-for-sale financial assets	Derivative financial instruments	Treasury shares at cost	Total equity attributable to shareholders of Siemens AG	Non controlling interests	Total equity
(in millions of €)										
Balance as of October 1, 2015	2,643	5,733	30,152	1,794	726	(357)	(6,218)	34,474	581	35,056
Net income	–	–	2,969	–	–	–	–	2,969	68	3,037
Other comprehensive income, net of income taxes	–	–	(1,316)	(652)	14	144	–	(1,810)	(5)	(1,815)
Dividends	–	–	(2,827)	–	–	–	–	(2,827)	(172)	(2,999)
Share-based payment	–	23	(61)	–	–	–	–	(38)	–	(38)
Purchase of treasury shares	–	–	–	–	–	–	(270)	(270)	–	(270)
Re-issuance of treasury shares	–	(8)	–	–	–	–	325	317	–	317
Cancellation of treasury shares	(93)	–	(2,575)	–	–	–	2,668	–	–	–
Transactions with non-controlling interests	–	–	15	–	–	–	–	15	(3)	13
Other changes in equity	–	–	1	–	–	–	–	1	13	15
Balance as of March 31, 2016	2,550	5,748	26,359	1,142	740	(213)	(3,494)	32,833	483	33,316
Balance as of October 1, 2016	2,550	5,890	27,454	909	1,160	(148)	(3,605)	34,211	605	34,816
Net income	–	–	3,354	–	–	–	–	3,354	68	3,422
Other comprehensive income, net of income taxes	–	–	2,259	437	359	71	–	3,125	22	3,147
Dividends	–	–	(2,914)	–	–	–	–	(2,914)	(117)	(3,031)
Share-based payment	–	42	(81)	–	–	–	–	(39)	–	(39)
Purchase of treasury shares	–	–	–	–	–	–	(144)	(144)	–	(144)
Re-issuance of treasury shares	–	53	–	–	–	–	275	328	–	328
Transactions with non-controlling interests	–	–	(2)	–	–	–	–	(2)	(9)	(11)
Other changes in equity	–	–	1	–	–	–	–	1	54	55
Balance as of March 31, 2017	2,550	5,985	30,070	1,346	1,519	(77)	(3,473)	37,920	623	38,543

B.6 Notes to Half-year Consolidated Financial Statements

NOTE 1 Basis of presentation

The accompanying condensed Half-year Consolidated Financial Statements as of March 31, 2017 present the operations of Siemens AG and its subsidiaries (the Company or Siemens). These Half-year Consolidated Financial Statements are in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU and should be read in conjunction with the Siemens Consolidated Financial Statements as of September 30, 2016. The Half-year financial statements apply the same accounting principles and practices as those used in the 2016 annual financial statements. Results for the interim reporting period are not necessarily indicative of future results. In interim periods, tax expense is based on the current estimated annual effective tax rate of Siemens. The presentation of certain prior-year information has been reclassified to conform to the current year presentation. The Half-year Consolidated Financial Statements are unaudited and were authorized for issue by the Managing Board on May 3, 2017. For further information on changes in estimates (including post-employment benefits) and on segment information, see disclosures in the Interim Group Management Report. Regarding first-time adoption of IFRS 15 as of October 1, 2017, no material impact is expected on Siemens' Consolidated Financial Statements, e.g. Retained earnings as of October 1, 2016 (opening balance) will presumably increase less than one percent. Due to rounding, numbers disclosed may not add up precisely to totals provided.

NOTE 2 Acquisitions and dispositions

Acquisitions

In March 2017, Siemens acquired all shares of Mentor Graphics Corporation, U.S., a design automation and industrial software provider. The acquired business will be integrated in the Digital Factory Division. The purchase price paid in cash amounts to US\$ 4.4 billion (€4.1 billion as of the acquisition date). The preliminary purchase price allocation as of the acquisition date resulted in: Other intangible assets €1.3 billion, Property, plant and equipment €0.2 billion, Trade receivables €0.6 billion, Cash and cash equivalents €0.4 billion, Deferred tax assets €0.1 billion, Current liabilities €0.7 billion and Deferred tax liabilities €0.3 billion. Other intangible assets mainly relate to technology of €1.0 billion and customer-related intangible assets of €0.3 billion. Goodwill of €2.4 billion comprises intangible assets that are not separable such as employee know-how and expected synergy effects from expanding our software business and from expanding our role in the digital sector.

Dispositions not qualifying for discontinued operations – closed transactions

In December 2016, Siemens contributed its eCar powertrain systems business – formerly included in the Digital Factory Division – into a newly formed joint venture, Valeo Siemens eAutomotive GmbH. Siemens recognized a pre-tax gain on disposal of €170 million in Other operating income. Siemens' 50% stake in the joint venture is disclosed in Centrally managed portfolio activities.

NOTE 3 Debt

(in millions of €)	Current debt		Non-current debt	
	Mar 31, 2017	Sep 30, 2016	Mar 31, 2017	Sep 30, 2016
Notes and bonds	2,375	4,994	30,792	23,560
Loans from banks	437	380	1,012	992
Other financial indebtedness	2,348	817	87	87
Obligations under finance leases	24	15	85	123
Total debt	5,184	6,206	31,977	24,761

In the six months ended March 31, 2017, the 5.75% US\$1.75 billion and the 5.125% €2.0 billion fixed-rate instruments were redeemed as due.

In March 2017, Siemens issued senior unsecured instruments totaling US\$7.5 billion (€7.0 billion as of March 31, 2017) in 7 tranches: US\$1.1 billion 2.20% due March 2020; US\$800 million 3m LIBOR+0.34% due March 2020; US\$1.0 billion 2.7% due March 2022; US\$850 million 3m LIBOR+0.61% due March 2022; US\$1.0 billion 3.125% due March 2024; US\$1.25 billion 3.40% due March 2027; US\$1.5 billion 4.20% due March 2047.

Bond with Warrant Units: in the six months ended March 31, 2017, terms to warrants exchanged in fiscal 2015 changed to receive 1,924.1160 Siemens AG shares per warrant at an exercise price of €97.6255 per share, terms for the not exchanged warrants changed to receive 1,833.0013 Siemens AG shares per warrant and 146.0092 OSRAM shares at an exercise price of €187,842.81. As of March 31, 2017, 95 warrants were exercised.

As of March 31, 2017 and September 30, 2016, US\$2.4 billion (€2.3 billion) and US\$700 million (€627 million) in commercial paper were outstanding, respectively.

NOTE 4 Shareholders' equity

In the six months ended March 31, 2017 and 2016, Siemens repurchased 1,175 thousand and 2,992 thousand treasury shares, respectively. Siemens transferred a total of 3,183 thousand and 3,778 thousand shares of treasury stock, respectively, in the six months ended March 31, 2017 and 2016. In January 2017, a dividend of €3.60 per share was paid.

NOTE 5 Commitments and contingencies

The following table presents the undiscounted amount of maximum potential future payments for major groups of guarantees:

(in millions of €)	Mar 31, 2017	Sep 30, 2016
Credit guarantees	747	799
Guarantees of third-party performance	2,355	2,319
HERKULES obligations	200	600
	3,302	3,718

In addition to guarantees disclosed in the table above, the Company issued other guarantees including indemnifications in connection with dispositions of businesses. To the extent future claims are not considered remote, maximum future payments from these obligations amount to €669 million and €853 million as of March 31, 2017 and September 30, 2016, respectively.

NOTE 6 Legal proceedings

In February 2017, Siemens AG entered into a settlement agreement with the Administrative Council for Economic Defense (CADE) relating to alleged antitrust violations from the 1990's to 2006 in the field of gas-insulated switchgear for an amount in a low single-digit million euro range.

NOTE 7 Financial instruments

Financial instruments measured at cost or amortized cost for which the carrying amount does not approximate fair value:

(in millions of €)	Mar 31, 2017		Sep 30, 2016	
	Fair value	Carrying amount	Fair value	Carrying amount
Notes and bonds	34,320	33,167	30,235	28,554
Loans from banks, other financial indebtedness and finance leases	4,036	3,994	2,473	2,414

The following table allocates financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy:

(in millions of €)	Mar 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value, thereof:	2,557	3,908	362	6,827
Available-for-sale financial assets: equity instruments	2,557	72	300	2,929
Available-for-sale financial assets: debt instruments	–	1,240	10	1,250
Derivative financial instruments	–	2,597	52	2,649
Financial liabilities measured at fair value – Derivative financial instruments	–	1,297	–	1,297

NOTE 8 Segment information

(in millions of €)	Orders ¹		External revenue		Intersegment Revenue		Total revenue		Profit		Assets		Free cash flow		Additions to intangible assets and property, plant & equipment		Amortization, depreciation & impairments	
	First half		First half		First half		First half		First half		Mar 31,	Sep 30,	First half		First half		First half	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	2017	2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Power and Gas	7,164	11,725	7,977	7,588	22	17	7,999	7,605	918	884	10,353	9,066	234	(23)	75	76	256	269
Wind Power and Renewables	4,578	4,039	2,899	2,657	1	–	2,900	2,658	266	188	44	(190)	299	152	180	63	83	65
Energy Management	6,548	6,486	5,464	5,172	341	302	5,804	5,473	414	355	4,652	4,335	203	(393)	66	69	104	103
Building Technologies	3,347	3,007	3,084	2,859	72	63	3,156	2,922	405	242	1,387	1,324	371	174	22	26	45	42
Mobility	4,302	4,488	3,816	3,949	8	10	3,823	3,959	376	346	2,965	2,868	311	88	42	42	64	64
Digital Factory	5,556	5,068	4,927	4,492	340	373	5,268	4,865	1,150	780	9,821	5,731	896	640	64	71	151	138
Process Industries and Drives	4,431	4,609	3,462	3,521	843	829	4,305	4,350	268	215	2,138	1,800	103	204	59	57	102	109
Healthineers	6,820	6,595	6,705	6,588	18	19	6,723	6,607	1,208	1,095	11,878	11,211	820	701	179	171	266	282
Industrial Business	42,746	46,016	38,333	36,826	1,646	1,613	39,979	38,440	5,006	4,105	43,238	36,145	3,237	1,544	687	574	1,071	1,072
Financial Services (SFS)	471	515	397	435	73	80	471	515	347	394	27,161	26,446	460	371	9	8	105	109
Reconciliation to Consolidated Financial Statements	(1,035)	(1,437)	607	626	(1,719)	(1,694)	(1,113)	(1,068)	(516)	(720)	60,967	63,126	(2,217)	(1,800)	200	232	154	159
Siemens (continuing operations)	42,182	45,095	39,338	37,887	–	–	39,338	37,887	4,836	3,779	131,366	125,717	1,479	115	896	814	1,330	1,340

¹ This supplemental information on Orders is provided on a voluntary basis. It is not part of the Half-year Consolidated Financial Statements subject to the review opinion.

Segment information is disclosed for continuing operations. Accounting policies and segment measurement principles are the same as those described in the September 30, 2016 Annual Report.

Reconciliation to Consolidated Financial Statements

Profit

(in millions of €)	First half	
	FY 2017	FY 2016
Centrally managed portfolio activities	412	(83)
Siemens Real Estate	91	45
Corporate items	(266)	(41)
Centrally carried pension expense	(199)	(208)
Amortization of intangible assets acquired in business combinations	(336)	(325)
Eliminations, Corporate Treasury, and other reconciling items	(218)	(108)
Reconciliation to Consolidated Financial Statements	(516)	(720)

In the six months ended March 31, 2017, reportable segments include gains in connection with pension plan amendments of €138 million.

In the six months ended March 31, 2017, the measurement of an asset retirement obligation for environmental clean-up costs included in Centrally managed portfolio activities resulted in a gain of €517 million, primarily due to increased interest rates. This increase was mainly due to a change of the applied yield curve in order to more specifically reflect interest rate expectations, particularly regarding long-term interest rates. In addition, a loss of €162 million from related interest rate swaps not designated in a hedging relationship was recognized. Both effects were reported in Other financial income (expenses), net. Moreover, the measurement of the asset retirement obligation led to a gain of €314 million in Cost of sales to reflect a reduced expected inflation rate.

Income from investments accounted for using the equity method includes an impairment loss of €230 million relating to Siemens' investment in Primetals Technologies Ltd., which is disclosed within Centrally managed portfolio activities. The continuing adverse conditions in the market environment triggered an impairment test on the investment. The recoverable amount of €204 million was determined based on a discounted cash flow calculation. To determine the recoverable amount, cash flow projections were used that take into account past experience and represent management's best estimate about future developments. The calculation is based on a terminal value growth rate of 1.5% and an after-tax discount rate of 7.4%.

Assets

(in millions of €)	Mar 31,	Sep 30,
	2017	2016
Assets Centrally managed portfolio activities	2,456	1,812
Assets Siemens Real Estate	4,551	4,964
Assets Corporate items and pensions	(1,082)	(1,474)
Asset-based adjustments:		
Intragroup financing receivables	48,201	47,072
Tax-related assets	2,901	4,089
Liability-based adjustments	41,300	42,082
Eliminations, Corporate Treasury, other items	(37,359)	(35,419)
Reconciliation to Consolidated Financial Statements	60,967	63,126

NOTE 9 Related party transactions

Siemens has relationships with many joint ventures and associates in the ordinary course of business whereby Siemens buys and sells a wide variety of products and services generally on arm's length terms. The transactions with joint ventures and associates were as follows:

(in millions of €)	Sales of goods and services and other income		Purchases of goods and services and other expenses		Receivables		Liabilities	
	First half		First half		Mar 31,	Sep 30,	Mar 31,	Sep 30,
	FY 2017	FY 2016	FY 2017	FY 2016	2017	2016	2017	2016
Joint ventures	983	335	65	67	369	333	262	227
Associates	315	562	84	94	73	114	240	343
	1,298	897	150	161	442	447	502	569

As of March 31, 2017 and September 30, 2016, guarantees for joint ventures and associates amounted to €819 million and €1,500 million, respectively. As of September 2016, the HERKULES obligations of €600 million were included. As of March 31, 2017 and September 30, 2016, loans given to joint ventures and associates amounted to €144 million and €82 million, therein €144 million and €78 million related to joint ventures, respectively. As of March 31, 2017 and September 30, 2016 there were loan commitments to joint ventures amounting to €181 million and €72 million, respectively.

NOTE 10 Managing Board member changes

Cedrik Neike has been appointed a full member of the Managing Board of Siemens AG, effective April 1, 2017. He is responsible for Asia, Australia and for the Energy Management Division. Michael Sen has been appointed a full member of the Managing Board of Siemens AG, effective April 1, 2017. He is responsible for the Healthcare business, for Global Services, and effective May 3, 2017, for Siemens Gamesa Renewable Energy.

NOTE 11 Subsequent events

In April 2017, Siemens Wind Power and Gamesa Corporación Tecnológica, S.A. (Gamesa) merged their wind businesses. Siemens as controlling shareholder holds 59% of the combined entity, the previous Gamesa shareholders 41%. As part of the merger, Siemens funded a cash payment of €1 billion, which was distributed to Gamesa's shareholders (excluding Siemens) following completion of the merger. The consideration transferred by Siemens equals 59% of the Gamesa market capitalization at the merger date and amounts to €3.7 billion.

C. Additional information

C.1 Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the Half-year Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Munich, May 3, 2017

Siemens Aktiengesellschaft

The Managing Board

Joe Kaeser

Dr. Roland Busch

Lisa Davis

Klaus Helmrich

Janina Kugel

Cedrik Neike

Michael Sen

Dr. Ralf P. Thomas

C.2 Review report

To Siemens Aktiengesellschaft, Berlin and Munich

We have reviewed the half-year consolidated financial statements comprising the consolidated statements of income, comprehensive income, financial position, cash flows and changes in equity, and notes to half-year consolidated financial statements, and the interim group management report, of Siemens Aktiengesellschaft, Berlin and Munich for the period from October 1, 2016 to March 31, 2017 which are part of the half-year financial report pursuant to Sec. 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the half-year consolidated financial statements in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the half-year consolidated financial statements and the interim group management report based on our review.

We conducted our review of the half-year consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW - Institute of Public Auditors in Germany) and in supplementary compliance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the half-year consolidated financial statements are not prepared, in all material respects, in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU, and that the interim group management report is not prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed a financial statement audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the half-year consolidated financial statements are not prepared, in all material respects, in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Munich, May 3, 2017

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Spannagl

Breitsameter

Wirtschaftsprüfer

Wirtschaftsprüferin

C.3 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.

This document is an English language translation of the German document. In case of discrepancies, the German language document is the sole authoritative and universally valid version.

For technical reasons, there may be differences between the accounting records appearing in this document and those published pursuant to legal requirements.

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