SIEMENS

Ingenuity for life

Facts and figures
Fiscal 2018

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Dear Shareholders,

**Siemens is in better shape than ever.
In fiscal 2018, we built on the great
successes of 2016 and 2017.
Once again, we delivered on our promises.
And we fully achieved the
guidance we raised at midyear.**

Joe Kaeser

President and Chief Executive Officer
of Siemens AG

We want you to profit from our Company's success. That's why we will propose a dividend of €3.80 for fiscal 2018 at the Annual Shareholders' Meeting on January 30, 2019. This marks an increase of ten euro cents over the previous year and corresponds to a payout ratio of 53 percent. We'll thus be raising our dividend for the fifth consecutive year. This, too, is continuity and demonstrates sustainability and reliability.

Share buybacks are another lever for increasing shareholder return. Since 2012, we've repurchased shares worth around €10 billion. And we will stay on this course: we've launched a new share buyback program that will have a volume of up to €3 billion and run until November 2021.

Looking at the results for fiscal 2018, we can say this: growth is broad-based as almost all our businesses are growing. Excluding currency translation and portfolio effects, orders rose eight percent. Our record order backlog of €132 billion provides a solid foundation for fiscal 2019.

Revenue rose two percent to €83 billion. Most of our industrial businesses – above all the Digital Factory Division – contributed to this increase. However, we saw a steep decline at our fossil fuel power business. At 1.10, our book-to-bill ratio, the ratio of orders to revenue, was very positive.

Excluding severance charges, the profit margin of our Industrial Business was 11.3 percent and thus within its target range. At €7.88, earnings per share were within our guidance of between €7.70 and €8.00, which we also raised at midyear. Here, too, we've kept our word. This is now the fifth year in a row that we've reached our guidance.

We could not have achieved these successes without a great team performance. That's why I'd like to thank the 379,000 Siemens employees worldwide who give their best for our customers and for our Company every day.

There are many accomplishments in fiscal 2018 that we can be proud of.

In March, we successfully listed our healthcare business on the stock exchange. Some of our businesses – especially our automation and industrial digitalization business – are world-market leaders. Our Building Technologies Division posted its all-time best year for operations. And Mobility is now the world's most successful vertically integrated mobility company.

However, we're still facing major structural challenges at Power and Gas. Here, we took the right steps to adapt this business to changed market conditions – price pressure, structural overcapacities, and the trend toward renewable energies – and make it fit for the future. And in the market for renewables, we recognized the signs of the times before anyone else and actively shaped consolidation.

Our task now is to take advantage of our generally outstanding starting position to develop Siemens further. The "Vision 2020+" strategy program that we presented in August defines the framework and creates the conditions that will enable every Siemens business to measure up to the best in its industry – or, even better, to be the benchmark.

To achieve this, we're giving our businesses greater entrepreneurial freedom and fostering a culture of ownership and initiative as well as management accountability and obligation.

We know that these changes touch our Company's DNA. We're approaching this transformation with great respect and are aware of our responsibility. But we also know that now is the right time to make these changes – because now we're in a position of strength.

For the Managing Board

Sincerely yours,

Dear Shareholders,

How can a company reinvent itself from a position of strength? That's exactly the challenge Siemens is tackling today. The Company is stronger than ever before. It was able to maintain its impressive record of success in fiscal 2018. Over the year, five of Siemens' eight Industrial Businesses improved profit and profit margins. And growth in orders and revenue was broad-based.

Jim Hagemann Snabe

Chairman of the Supervisory Board
of Siemens AG

Siemens used the past 12 months to chart its future course in key areas: Siemens Healthineers was publicly listed, a move that will provide this business with the entrepreneurial freedom it needs to help shape the lucrative healthcare market in the long term. Strategic acquisitions, for example, in the area of industrial software, also strengthened the Company. And painful but necessary adjustments were made in the conventional power generation business.

Siemens has thrived over the last few years – despite sweeping changes in technology, society and the economy. The challenge now is to build on this position of strength and shape the Fourth Industrial Revolution. I'm convinced that companies that can "do" both hardware and software and that leverage this combination to create maximum customer value will be the most successful companies in the digital age. And that's Siemens' greatest competitive advantage: when it comes to combining the real and virtual worlds, Siemens is unmatched.

The Fourth Industrial Revolution will radically transform the way we live and do business. Neither the business models that worked in the past nor the sheer size of a conglomerate can guarantee success in the future. Platforms, data analytics and new technologies such as artificial intelligence are changing the economy at an unprecedented pace.

Only companies that view these changes as an opportunity, only companies that are fast and agile will be among the world's best in the long run. And that's exactly what the "Vision 2020+" strategy program aims to achieve. It's designed to enable Siemens businesses to become more focused, considerably faster and fit for the future.

All Siemens businesses will continue to be held together by the Company's larger purpose. And that purpose is to create value for all Siemens stakeholders and to provide answers to the most urgent questions society faces: How do we want to live in the future? How can we manufacture goods in a way that preserves the environment? How can we generate clean electricity? How can we make affordable healthcare available to billions of people? Siemens provides answers to these questions with its products and solutions.

In fiscal 2018, the Supervisory Board backed the changes at Siemens and effectively monitored and advised the Managing Board in the interest of shareholders. The Supervisory Board supports the Company's ongoing strategic development. We're convinced that "Vision 2020+" is an outstanding concept and that it will enable Siemens to rapidly develop from a position of strength and prepare for the next decade.

On behalf of the Supervisory Board, I'd 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 steadfast dedication and their constructive and successful cooperation in fiscal 2018.

For the Supervisory Board

Fiscal 2018 – Financial summary

Fiscal 2018 was a particularly successful year for Siemens. We made great progress operationally and from a portfolio standpoint and reached nearly all our **"Vision 2020"** targets faster than originally expected. Regarding our financial results, the great majority of our businesses are doing very well, including several that are outstanding. A few of our businesses have to tackle structural market challenges. For them, measures to improve competitiveness and adjust capacities are well under way. We also made progress with our portfolio. We successfully executed the initial public offering of Siemens Healthineers AG by floating 15% of its shares in the second quarter of fiscal 2018. In the fourth quarter of fiscal 2018, the shareholders of Alstom SA approved the proposal regarding the combination of our mobility business with Alstom SA. Closing of the transaction is still subject to approval by antitrust authorities and is expected in the first half of calendar 2019. Several of our businesses made acquisitions in the area of digitalization, the most important of which was the acquisition of Mendix, a U.S.-based pioneer and leader in cloud-native low-code application development, which we closed early in fiscal 2019. We expect the Mendix acquisition, among other things, to accelerate the adoption of MindSphere, our open, cloud-based industrial operating system for the Internet of Things. From a position of strength, we announced **"Vision 2020+"** during the fourth quarter of fiscal 2018. With **"Vision 2020+,"** we intend to accelerate growth and strengthen profitability with a leaner, simpler company structure. United under the strong Siemens brand, we are giving our businesses significantly more entrepreneurial freedom to sharpen the focus on their respective markets. We are currently implementing the new organizational structure. We will begin reporting financial results according to the new company structure beginning with the third quarter of fiscal 2019.

We were again very successful in executing our **financial target system** in fiscal 2018 and achieved strong results for the Siemens Group, most of our industrial businesses and Financial Services. We raised our guidance for basic earnings per share (EPS) from net income after the second quarter and reached all the targets set for our primary measures for fiscal 2018. We achieved revenue growth of 2% net of currency translation and portfolio effects. We delivered basic EPS from net income of €7.12, which included impacts from severance charges amounting to €0.76. Return on capital employed (ROCE) was double-digit at 12.7%. Our capital structure ratio came in at 0.4.

Orders rose 6% year-over-year to €91.3 billion, for a book-to-bill-ratio of 1.10, thus fulfilling our expectation for a ratio above 1. Six out of eight of our industrial businesses increased orders year-over-year, one remained at the prior-year level and only one reported a decline. We posted double-digit order growth at Mobility due to a larger volume from major contract wins, and at Digital Factory due to strength in its short-cycle and software businesses. Order growth at Siemens Gamesa Renewable Energy (SGRE) included new volume from the merger with Gamesa, while growth at Power and Gas was burdened by significant negative currency translation effects. Excluding currency translation and portfolio effects, orders for Siemens rose 8%.

Revenue came in at €83.0 billion, slightly above the prior-year level. Strong growth at Digital Factory and Mobility and new volume from the merger with Gamesa at SGRE were largely offset by a significant decline at Power and Gas. While the Division completed the world's three largest combined cycle power plants in Egypt in record time in fiscal 2018, it continues to operate in an adverse market environment. Excluding currency translation and portfolio effects, revenue grew 2%. For fiscal 2018, we had forecast modest growth in revenue, net of currency translation and portfolio effects.

Industrial Business profit was €8.8 billion, down 6% year-over-year. The majority of our industrial businesses improved profit year-over-year, with increases led by Digital Factory, SGRE and Mobility. Digital Factory and Siemens Healthineers made the largest contributions to Industrial Business profit. Profit and profitability at Siemens Healthineers were impacted by substantial negative currency effects, which to a lesser extent also affected other Divisions. Overall, the Industrial Business profit was burdened by sharply higher severance charges year-over-year, which came in at €0.8 billion. Nearly half of the severance charges were booked at Power and Gas. Together with challenging factors related to adverse market conditions, this resulted in a sharp decline in the Division's profit year-over-year. As planned, we further increased R&D expenses in our industrial businesses, with a strong emphasis on digitalization.

The **profit margin of our Industrial Business** was 10.4%, down from 11.1% in fiscal 2017. Six out of eight of our industrial businesses were within or – as in the case of Mobility and Building Technologies – above their margin ranges. The majority also improved their profit margins year-over-year, with SGRE reaching its margin range and Process Industries and Drives reducing the gap. The overall decline in the profit margin for our Industrial Business was due predominately to Power and Gas, where the profit margin declined substantially, falling even further below the Division's margin range than in fiscal 2017. Excluding severance charges, Industrial Business profit margin was 11.3%, clearly in the range of 11% to 12% we had expected it to reach. With a return on equity after tax of 20.0%, Financial Services, which is reported outside our Industrial Business, reached the upper end of its margin range.

The loss outside the Industrial Business came in substantially lower year-over-year. Results in fiscal 2018 included a €0.9 billion gain related to the transfer of Siemens' shares in Atos SE to Siemens Pension-Trust e.V. and a €0.7 billion gain from the sale of shares in OSRAM Licht AG. These gains were partly offset by the higher amortization of intangible assets acquired in business combinations, mainly related to the merger with Gamesa and the Mentor acquisition.

Net income of €6.1 billion came in at the prior-year level and basic EPS from net income declined moderately to €7.12. Both figures were impacted by sharply higher severance charges year-over-year, which reduced basic EPS from net income by €0.76. Excluding severance charges, we achieved basic EPS from net income of €7.88. Thus, we met our raised forecast, which was to achieve basic EPS from net income excluding severance charges in the range of €7.70 to €8.00 (up from the range of €7.20 to €7.70 that we forecast for fiscal 2018 in our Annual Report for fiscal 2017).

ROCE for fiscal 2018 was 12.7%, down from 13.3% in fiscal 2017. This decline was due primarily to an increase in average capital employed, mainly related to the merger with Gamesa and the acquisition of Mentor. We thus met our forecast, which was to achieve a double-digit result below the lower end of our long-term goal of 15% to 20%.

We evaluate our **capital structure** using the ratio of industrial net debt to EBITDA. For fiscal 2018, this ratio was 0.4, compared to 0.9 in fiscal 2017. 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 2018 rose 22% to €5.8 billion.

We intend to continue providing an attractive return to shareholders. The Siemens Managing Board, in agreement with the Supervisory Board, proposes a **dividend** of €3.80 per share, up from €3.70 a year earlier.

Key figures fiscal 2018

Volume

				% Change	
		FY 2018	FY 2017	Actual	Comp.[1]
Orders	in millions of €	**91,296**	85,784	6%	8%
Revenue	in millions of €	**83,044**	82,863	0%	2%
Book-to-bill ratio		**1.10**			
Order backlog	in billions of €	**132**			

Profitability and Capital efficiency

		FY 2018	FY 2017	% Change
Industrial Business				
Profit	in millions of €	**8,815**	9,335	(6)%
Profit margin	in %	**10.4**	11.1	
Continuing operations				
EBITDA	in millions of €	**9,602**	10,825	(11)%
Income from continuing operations	in millions of €	**5,996**	6,041	(1)%
Basic earnings per share[2]	in €	**6.97**	7.27	(4)%
Continuing and discontinued operations				
Net income	in millions of €	**6,120**	6,094	0%
Basic earnings per share[2]	in €	**7.12**	7.34	(3)%
Return on capital employed (ROCE)	in %	**12.7**	13.3	

Capital structure and Liquidity

		September 30, 2018	September 30, 2017
Total equity	in millions of €	**48,046**	44,619
Industrial net debt	in millions of €	**3,382**	9,876
Industrial net debt/EBITDA		**0.4**	0.9
		FY 2018	**FY 2017**
Free cash flow			
Continuing operations	in millions of €	**5,814**	4,819
Continuing and discontinued operations	in millions of €	**5,824**	4,769

Employees

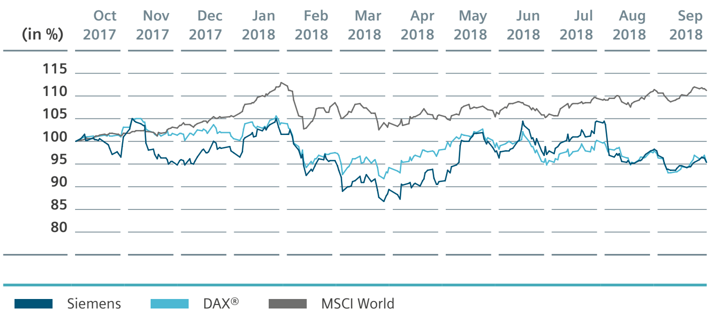
		September 30, 2018	September 30, 2017
Number of employees	in thousands	**379**	377
Germany	in thousands	**117**	118
Outside Germany	in thousands	**262**	259

1 Throughout excluding currency translation and portfolio effects.

2 Basic earnings per share – attributable to shareholders of Siemens AG. For fiscal 2018 and 2017 weighted average shares outstanding (basic) (in thousands) for the fiscal year to 815,063 and 812,180, respectively.

The Siemens Share/Investor Relations

Change in the value of an investment in Siemens shares in fiscal 2018
(with dividends reinvested; indexed)



Stock performance. 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 2009 and reinvested the dividends and the corresponding value of the OSRAM spinoff in Siemens shares would have increased to €2,551 by the end of fiscal 2018. This annual return of 9.8% (on a comparable basis) is above the results of the DAX 30 (+7.7%) and MSCI World (+8.6%).

Over the last fiscal year, Siemens stock was also impacted by the volatile market environment. At the end of the fiscal year (September 30, 2018), the shares closed at €110.34. Siemens shares declined 4.5% (including dividend reinvestment) in line with the leading German stock exchange index, the DAX. In the same period, the leading international index MSCI World advanced 11.2% (with dividends reinvested).

Stock market information

		FY 2018[1]	FY 2017[1]
Siemens stock price (Xetra closing price)			
High	in €	**125.20**	133.20
Low	in €	**100.38**	101.05
Fiscal year-end	in €	**110.34**	119.20
Number of shares issued (September 30)	in millions	**850**	850
Market capitalization[2] (September 30)	in millions of €	**89,381**	97,210
Basic earnings per share[3]	in €	**7.12**	7.34
Diluted earnings per share[3]	in €	**7.01**	7.19
Dividend per share	in €	**3.80**[4]	3.70

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. 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 support our continuous dialogue with investors by participating in roadshows and conferences. At Capital Market Days, Company management informs investors and analysts about our business strategy and market environment.

Our investors have fast and direct online access to our financial calendar, half-year and annual reports, earnings releases, ad hoc announcements, analyst presentations, shareholder letters, equity story and press releases 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.