Ladies and Gentlemen, dear Shareholders,

in the second quarter of fiscal 2016 Siemens continuously worked on the consequent execution of Vision 2020 and made good progress. The results were presented by CEO Joe Kaeser and CFO Ralf Thomas on May 4th during an analyst conference and press conference call.

Siemens confirmed its financial guidance for fiscal 2016 although the market environment for the high-margin short-cycle businesses may not pick up materially in the second half.

Let's have a quick glance on the key figures: Orders increased clearly in the second quarter of fiscal 2016. Main reasons were especially a €3.1bn major order for power plants including service in Egypt and a €1.2bn order for an offshore wind-farm in the United Kingdom. Industrial Business order backlog increased to a new high at €115bn. Revenue was 5% higher than in the prior-year quarter, which resulted in a book-to-bill ratio of 1.17. A 10.9% profit margin was achieved in the Industrial Business in the second quarter of fiscal 2016. Net income of €1.5bn came in below the €3.9bn in prior-year-quarter which included €3.0bn in divestment gains from the sale of the hearing aid business and Siemens' stake in BSH.

“We delivered another convincing performance in the second quarter, compared to both the prior year and our industry sector. Despite ongoing challenges in the market environment, we will continue to focus rigorously on profitable growth,” said Siemens CEO Joe Kaeser.

Furthermore Siemens and Valeo signed an agreement to form a 50:50 joint venture in high voltage powertrains in April. With this move the companies create a global leader of innovative and affordable high-voltage components and systems for the entire range of electric vehicles including hybrids, plug-in hybrids and full electric vehicles.

Another highlight in April was once again the Hannover Messe: Siemens presented at Hannover Messe 2016 under the motto “Ingenuity for life – Driving the Digital Enterprise”, tangible solutions and use cases in its 3,500 m² booth that demonstrate how companies of the production and process industry can benefit from convergence of the real and virtual worlds. You can find more about our feature topic Hannover Messe on page 4.

Dear shareholders, I want to thank you for your trust and interest in Siemens. Please enjoy reading this issue of the shareholder letter.

Kind regards,

Sabine Reichel
Head of Investor Relations, Siemens AG

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**Selected Key Figures**

*(in € billion, except where otherwise stated)*

<table>
<thead>
<tr>
<th>FY 2015</th>
<th>Q2 2015</th>
<th>Q2 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>82.3</td>
<td>22.3</td>
</tr>
<tr>
<td>Revenue</td>
<td>75.6</td>
<td>19.0</td>
</tr>
<tr>
<td>Net Income</td>
<td>7.4</td>
<td>3.9</td>
</tr>
<tr>
<td>Basic earnings per share in €</td>
<td>3.50</td>
<td></td>
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<tr>
<td>Dividend per share in €</td>
<td></td>
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</tbody>
</table>

1) Changes are adjusted for currency translation effects
2) €5.18 excl. portfolio gains from divestments of Hearing Aid and our stake in BSH
3) Approved dividend at the Annual Shareholders’ Meeting on January 26, 2016
Share Performance

- From January 2016 decreasing oil prices and the financial crisis in China dominated the DAX and the Siemens share. The downward trend of the Siemens share was stopped at the end of January due to a guidance increase and strong Q1 results, before the negative trend continued until mid of February. Markets recovered afterwards due to stabilizing oil prices, of which the Siemens share benefited significantly stronger than the DAX. Since the end of April, a strong Euro exchange rate has put pressure on the DAX and Siemens share.
- Following strong Q2 results the Siemens share (+1.4%) outperformed the DAX (-1.0%) clearly on the day of the Q2 results.
- In comparison to the main competitors and the DAX the Siemens share performed with a gain of 1% between Jan 1, 2016 and May 4, 2016 better than Toshiba (-11%), GE (-3%) and the DAX (-9%) but underperformed Schneider (+4%), Rockwell (+8%) and ABB (+11%).

For further information: 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: http://www.siemens.com/press/en/pressrelease/index.php

Power and Gas

- Higher revenue in the large gas turbine and steam turbine businesses, due mainly to the ramp-up for execution of orders from Egypt
- Margin 13.6%, continuing strong profit contribution from the service business and positive effects from the Iran business

Siemens sets new performance and efficiency world record at Düsseldorf power plant

Siemens handed over the combined cycle power plant equipped with a Siemens H-class gas turbine to the utility company Stadtwerke Düsseldorf AG. During the test run before acceptance a maximum electrical net output of 603.8 MW was achieved, which is a new record for a single-shaft configuration. A new world record of around 61.5% for net power-generating efficiency was also achieved. (for further information, please click here)

Wind Power

- Revenue up in all businesses due to strong conversion from the backlog
- Margin 9.4%, strong profitability includes lower production and installation costs as well as positive effects from project execution and completion

Siemens receives major order for offshore wind power plant

Siemens is to supply, install and commission 102 wind turbines, each with a capacity of 7 MW and a rotor diameter of 154 m, for the East Anglia ONE project. The customer is ScottishPower Renewables. The 714 MW wind power plant will be the largest project in terms of capacity for Siemens so far. Once operational in 2020, the ecofriendly electricity generated by the project is expected to be sufficient for around 500,000 British households. (for further information, please click here)

Energy Management

- Lower revenue contribution from the solutions business in Europe, C.I.S., Africa and Middle East
- Margin 6.3%, continuing profitability improvements mainly in the solutions, transformer and high voltage product businesses

Siemens to provide electrical equipment for power plant in the USA

Siemens has been chosen to supply critical low- and medium-voltage electrical equipment and power transformers for the new Holland Energy Park combined cycle power plant in Michigan. The local municipal utility, Holland Board of Public Works, is replacing a coal-fired plant with a new fuel efficient modern power plant. A special feature of this plant is the use of surplus heat from the circulating water system for a downtown snowmelt system. (for further information, please click here)
## News from our Industrial Business

### Building Technologies
- Higher revenue in the Americas, particularly within the product and service businesses, offset by a revenue decline in Europe, C.I.S. and Africa
- Margin 7.7%, profit rises significantly on a larger share from the high-margin product and service businesses

F. Hoffmann-La Roche opts for fire safety and building automation from Siemens
Swiss pharmaceutical company F. Hoffmann-La Roche opts for fire safety and building automation from Siemens for its new buildings on the Kaiseraugst campus near Basel. The order is valued at more than €1.5m. The buildings are expected to be completed by mid 2017. (for further information, please click [here](#))

### Mobility
- Revenue increased as the Division successfully executes large projects from its order backlog
- Margin 8.0%, profit near the prior-year level, which benefited from a net positive effect related to certain high-speed train projects

Siemens provides trains and automatic train control system for Sofia's new metro line
A consortium consisting of Siemens and Newag has been commissioned for equipping the new metro line 3 in the capital of Bulgaria. The order is worth around €140m and comprises the delivery of 20 Inspiro type metro trains and the Trainguard MT automatic train protection system. The line is planned to be put into operation in 2019. (for further information, please click [here](#))

### Digital Factory
- Continued revenue growth in the product lifecycle management software business compared to the prior-year period while the short-cycle businesses recorded market-driven declines. Revenue growth in the U.S. more than offset by lower volume in China and Germany
- Margin 15.1%, profit rose due mainly to the factory automation business

Siemens opens Cyber Security Operation Centers to protect industrial facilities
Siemens has opened its “Cyber Security Operation Center” (CSOC) for the protection of industrial facilities in Lisbon and Munich and one in Milford (Ohio, USA). Siemens industrial security specialists based at these sites monitor industrial facilities all around the world for cyber threats, warn companies in the event of security incidents and coordinate proactive countermeasures. (for further information, please click [here](#))

### Process Industries and Drives
- Lower revenue in oil and gas and large drives businesses due to weak demand in commodity-related industries, only partly offset by growth in the wind power components business
- Margin 4.1%, ongoing operational challenges in oil and gas and large drives businesses

Finland’s 1st battery-powered ferry represents milestone towards clean shipping
Siemens has been commissioned to provide the complete electro-technical solution for Finland’s first battery-powered car ferry. The environmentally-friendly ferry will improve the transport options between Nauvo and Parainen in the Turku Archipelago. It will be approximately 90 m long by 16 m wide with capacity for a max. of 90 cars. Operation on the 1.6 km-long route will begin in summer 2017. (for further information, please click [here](#))

### Healthcare
- Clear revenue growth in the U.S. Revenue increase resulted mainly from the diagnostic imaging business
- Margin 16.7%, profit increase due mainly to a strong earnings performance from the diagnostic imaging business, profit also benefited from currency hedging effects

Siemens presents new Dual Source computer tomograph Somatom Drive
Siemens Healthcare, the only manufacturer to produce computer tomographs with two X-ray tubes and detectors, is strengthening its Dual Source portfolio and will present its latest model at the European Congress of Radiology (ECR) in Vienna: Somatom Drive. Thanks to diverse innovative technologies, Somatom Drive is suitable for all clinical fields. Patients benefit from precise diagnostics, examinations with especially low X-ray and contrast media doses, as well as imaging without breath-hold. (for further information, please click [here](#))
On the opening day of the Hannover Messe a large group of people in dark business suits entered Hall 9 of the Hanover Fair Grounds: the American delegation, leaders from politics and industry, countless security officers, accompanied by numerous press and media representatives. German Chancellor Angela Merkel, US President Barack Obama and their entourage were slowly proceeding to the Siemens booth. There they were met by Joe Kaeser and Klaus Helmrich.

"While others are still talking about Industrie 4.0, we show how the future of industrial manufacturing is already reality today," summed up the Siemens CEO. He stressed the significance of the United States in this regard: For over 160 years, the country has been a vital part of Siemens. And currently it plays a decisive role, especially with the growing attention given to software in the framework of the Digital Enterprise. Obama confirmed the importance of digitalization for increasingly more flexible and customer-specific production. As a token of advanced manufacturing, Kaeser presented both government heads with a golf club from the American brand Callaway, which was manufactured using Siemens PLM software. Obama promptly tried out his swing and marveled at the handling of the golf club.

**Highlight Cubes**

Siemens presented tangible solutions and use cases in four highlight cubes that demonstrated how companies can benefit from convergence of the real and virtual worlds.

**Sustainable energy for digital companies**
The process and manufacturing industries require a reliable, safe and efficient energy supply. To ensure economic feasibility, protect the environment, and provide a reliable power supply, the integration of renewable energy and the increasingly decentralized power generation must be controlled with intelligent systems. This can only be done on the basis of digital technologies.

**Fiber Industry**
Increasing digitalization is forcing the paper industry to reorganize and position itself as the fiber industry, due to the decrease in demand for paper. New types of fiber products can replace oil-based materials and thereby give the fiber industry new business models as well as help it save valuable resources such as water and wood. In the "Fiber Industry" highlight cube, Siemens demonstrated a paper factory model, including a control room where the processes are controlled and monitored.

**Automotive manufacturers**
When it comes to producing cars, the automotive industry needs a holistic approach, both today and in the future, that covers the entire lifecycle of product and production. This applies, in particular, to the increasing digitalization of automobile production. Siemens is the only company that has a portfolio containing the right products and solutions for all aspects – from product ideas to the finished vehicle – and provides the electrical infrastructure at the same time.

**Individualized mass production**
Siemens presented concrete solutions and products that have been made possible through the industrialization of additive manufacturing. Additive manufacturing enables the direct generative production of three-dimensional physical objects based on digital information (CAD/CAM data). Siemens vividly demonstrated 3 different additive manufacturing methods. Material and required precision of the end product determine the choice of the production method.
Frequently Asked Questions

The Airbus Group and Siemens signed a long-term cooperation agreement in the field of hybrid electric propulsion systems. In doing so, the Chief Executive Officers (CEO) of both companies, Tom Enders and Joe Kaeser, have launched a major joint project towards the electrification of aviation.

1. **What is the goal of the cooperation?**
   
   The goal is to demonstrate the technical feasibility of various hybrid electric propulsion systems by 2020 to advance European leadership in innovation and the development of electrically powered aircraft.

2. **When will passenger aircraft with hybrid propulsion systems be available?**
   
   Airbus believes that by 2030 passenger aircraft below 100 seats could be propelled by hybrid propulsion systems.

3. **What are the advantages of those aircraft?**
   
   Hybrid-electric propulsion systems can significantly reduce fuel consumption of aircraft and reduce noise.

4. **How many employees will be involved in this project?**
   
   Both companies will be making significant contributions to the project and have already sourced a team of around 200 employees. For Siemens the undertaking will be an important project under the umbrella of our so-called ‘Innovation AG’.

(For further information about the Siemens-Airbus cooperation, please click [here](#))

How does Siemens assess the further course of fiscal 2016?

We confirm our financial guidance for fiscal 2016 although the market environment for our high-margin short-cycle businesses may not pick up materially in the second half. We still anticipate further softening in the macroeconomic environment and continuing complexity in the geopolitical environment in fiscal 2016. Nevertheless, we expect moderate revenue growth, net of effects from currency translation. We anticipate that orders will materially exceed revenue for a book-to-bill ratio clearly above 1. For our Industrial Business, we expect a profit margin of 10% to 11%. We expect basic EPS from net income in the range of €6.00 to €6.40.

This outlook excludes charges related to legal and regulatory matters.

Financial Calendar

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
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<tbody>
<tr>
<td>August 2016</td>
<td>3rd quarter 2016 financial results</td>
</tr>
<tr>
<td>November 2016</td>
<td>4th quarter 2016 financial results</td>
</tr>
<tr>
<td>February 2017</td>
<td>1st quarter 2017 financial results &amp; AGM</td>
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We are happy to answer all of your questions

Investor Relations:
+49 (89) 636 32474
investorrelations@siemens.com
http://www.siemens.com/investor

Address:
Siemens AG
Wittelsbacherplatz 2
80333 Munich
Germany

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 IFRS not clearly defined – supplemental financial measures that are or may be non-GAAP financial measures. These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Siemens’ net assets and financial positions or results of operations as presented in accordance with IFRS in its Consolidated Financial Statements. Other companies that report or describe similarly titled financial measures may calculate them differently.

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.