SIEMENS

Ingenuity for life

Facts and figures
Fiscal 2016

Dear Shareholders,

Fiscal 2016 was one of the strongest in the history of our Company. Setting aside portfolio divestments, it was actually the best. Thanks to a strong team performance, we even exceeded our guidance, which we'd raised twice during the fiscal year. In the year that marks the 200th anniversary of the birth of our Company founder Werner von Siemens, we're in a very good position. And what's most important: Siemens is growing again.

Joe Kaeser

President and Chief Executive Officer
of Siemens AG

Excluding currency translation effects, orders and revenue were both up six percent. Basic earnings per share totaled €6.74. On a comparable basis – that is, excluding last year's profit on the divestment of our hearing aid business and our stake in Bosch und Siemens Hausgeräte GmbH – this figure is 30 percent above that of fiscal 2015. At 10.8 percent, the profit margin of our Industrial Business was at the upper end of its target range. On behalf of the entire Managing Board, I'd like to sincerely thank all Siemens employees for their commitment and outstanding work.

On the basis of this performance, the Managing Board is proposing to the Annual Shareholders' Meeting an increase in the dividend to €3.60. We're also allocating another €100 million to the profit sharing pool, which will enable employees to participate in the Company's success, wherever possible, by owning shares. Today, 153,000 employees are already Siemens shareholders. We're confident this figure will exceed 200,000 by 2020.

We're implementing every aspect of our "Vision 2020" strategy program. At our support functions, we've achieved the targeted savings of €1 billion faster than planned. We're seeing substantial progress in getting our underperforming businesses up to speed. In the area of project management, where we're continuously improving, we reported no negative net effects from project charges in fiscal 2016. Our mega project in Egypt, where we're significantly expanding the energy system, and the ICE 4 high-speed train, which we're building for our customer Deutsche Bahn, are just two examples of successful project execution.

Siemens is strengthening its position in the electrification, automation and digitalization market. Our digitalization strategy includes targeted acquisitions – like that of simulation software specialist CD-adapco in fiscal 2016, and the acquisition of Mentor Graphics, which we announced in the current fiscal year. Through the planned merger of Siemens Wind Power with the Spanish company Gamesa, we aim to be a leading supplier of wind turbines. As announced, we're also preparing the listing of Siemens Healthineers. We intend to turn this already great business into a fascinating one.

If you want to be successful over the long term, you have to deal with new developments in the market and in society, adapt, and sometimes even reinvent yourself. And this is what Siemens is doing. One example is next47, our startup unit, which started work in October 2016. next47 will drive disruptive innovation and provide impetus for a change in company culture.

For the current fiscal year, we've again set ambitious goals – despite the complex geopolitical environment. We're working hard and conscientiously to lead a stronger Siemens into the future.

For the Managing Board

Sincerely yours,

Dear Shareholders,

**In fiscal 2016, Siemens AG significantly strengthened its businesses in electrification, automation and digitalization.
The Company continued to successfully pursue the path defined in its "Vision 2020" strategy program. The very solid development of our business figures – particularly net income and revenue – was especially gratifying.**

Dr. Gerhard Cromme

Chairman of the Supervisory Board
of Siemens AG

During the fiscal year, the Managing Board provided the Supervisory Board with continuous updates on the Company's development in line with "Vision 2020." The Supervisory Board concerned itself with major acquisition and divestment projects, including the divestment of Siemens' stake in Unify Holdings B.V., the acquisition of the U.S.-based simulation software company CD-adapco Ltd. and the planned merger of Siemens' Wind Power business with the publicly listed Spanish company Gamesa Corporación Tecnológica, S.A. The Supervisory Board also received a report on the status of the integration of the acquired company Dresser-Rand Group Inc. and of the aeroderivative gas turbine and compressor business acquired from Rolls-Royce plc.

In addition, the Supervisory Board monitored constructively and critically the structural changes at the Process Industries and Drives Division as well as the steps taken to realign the Company's underperforming businesses. As part of the discussion of technology focuses, the Supervisory Board concerned itself, among other things, with the establishment of next47, a separate unit for startups, and with the activities and recommendations of the Siemens Technology & Innovation Council. A detailed report on further aspects of the Supervisory Board's work is available in the Siemens Annual Report.

On behalf of the Supervisory Board, I'd like to cordially thank the members of the Managing Board as well as the employees and employee representatives of Siemens AG and all Group companies for their tremendous dedication and outstanding performance in fiscal 2016. I wish them all every success for the future.

In an environment marked by uncertainties in the global economy, the Company intends to continue its successful course in fiscal 2017. The compliance crisis at Siemens began ten years ago last November. Today, we can say with pride that responsible action and integrity are once again the foundation for business success.

For the Supervisory Board

Gerhard Cromme

Fiscal 2016 – Financial summary

In fiscal 2016, we successfully continued implementing our **"Vision 2020"** concept. We made further significant steps to strengthen our business focus in electrification, automation and digitalization by acquiring CD-adapco, a U.S.-based provider of simulation software, and by signing binding agreements to merge our wind power business, including service, with Gamesa. For Process Industries and Drives we implemented measures to address the Division's structural challenges. We also made substantial progress in our ongoing initiative to improve profitability of low-margin businesses. Beginning with fiscal 2017 we founded next47, a separate unit that pools our existing startup activities to foster disruptive ideas more vigorously and accelerate the development of new technologies. Following cost savings of approximately €0.4 billion in fiscal 2015, we reduced cost by an additional €0.6 billion in fiscal 2016, thus achieving cost savings of €1.0 billion compared to fiscal 2014.

In fiscal 2016, we were particularly successful in executing on our **financial target system**, enabling us to twice raise our forecast for basic earnings per share (EPS) (net income) and to gain market share in most of our businesses. Despite an unfavorable economic environment and rising global uncertainties, we reached or exceeded the targets set for our primary measures for fiscal 2016. We achieved revenue growth of 6%, net of effects from currency translation, including two percentage points from portfolio effects. Net income and basic earnings per share (EPS) (net income) rose by more than a quarter compared to fiscal 2015 excluding the portfolio gains from the divestment of the hearing aid business and our stake in BSH Bosch und Siemens Hausgeräte GmbH (BSH). As forecast, Return on capital employed (ROCE) was double-digit. Our capital structure ratio was 1.0, close to our forecast.

Orders increased 5% year-over-year to €86.5 billion, for a book-to-bill ratio of 1.09, thus fulfilling our expectation for a ratio clearly above 1.0. All industrial businesses contributed to order growth except for the Mobility Division, which recorded lower volume from large orders year-over-year, and the Process Industries and Drives Division, which is suffering from weak demand in commodity-related markets. Order growth was particularly impressive in the Power and Gas and the Wind Power and Renewables Divisions. While Power and Gas recorded among others large orders for power plants in Egypt, Wind Power and Renewables won among others a number of contracts for large offshore wind-farms including service in the U.K.

Revenue rose to €79.6 billion, also up 5% compared to fiscal 2015. All our industrial businesses increased revenue year-over-year, except for the Process Industries and Drives Division. Excluding currency translation effects, overall revenue rose 6%. Our forecast was to achieve moderate revenue growth excluding currency translation effects. As expected, portfolio effects added 2 percentage points to growth. The strongest contribution to revenue growth came from the Power and Gas Division, which achieved a double-digit growth rate even after excluding positive portfolio effects, primarily related to the acquisition of Dresser-Rand at the end of the third quarter of fiscal 2015. Revenue growth at Power and Gas included strong contributions from project execution on orders from Egypt.

Industrial Business profit grew 13% to €8.7 billion. As with revenue, all industrial businesses except for Process Industries and Drives increased their profit year-over-year. Wind Power and Renewables nearly tripled its profit compared to fiscal 2015, supported by a number of factors including successful implementation of measures for ramping up commercial-scale production of turbine offerings. The Energy Management Division continued its strong turnaround, with high double-digit profit growth. Power and Gas achieved double-digit profit growth, benefiting from among others a positive effect following the ending or easing of sanctions on Iran; Power and Gas took significant project charges and higher severance in the prior year. Mobility continued its solid project execution and also achieved double-digit profit growth. Healthineers and our Digital Factory and Building Technologies Divisions exceeded the already high profit levels they had reached in fiscal 2015. The decline in profit at Process Industries and Drives was due to the above-mentioned market conditions and charges related to measures taken to address those challenges.

The **profit margin of the Industrial Business** increased to 10.8%, up from 10.1% in fiscal 2015. We thus reached the upper end of the range of 10% to 11% that was forecast for fiscal 2016. All industrial businesses except for Process Industries and Drives reached their margin ranges, with three Divisions that were below their margin ranges in fiscal 2015, entering their ranges in fiscal 2016: Power and Gas, Wind Power and Renewables and Energy Management. SFS, which is outside our Industrial Business, achieved a return on equity after tax of 21.6%, again above the upper end of its margin range.

Outside the Industrial Business, the loss was higher than in fiscal 2015, which included a gain of €1.4 billion from the sale of our stake in BSH. In contrast, the loss from other at-equity investments was lower and costs related to Corporate Items declined substantially compared to the prior year.

Net income in fiscal 2016 was €5.6 billion and basic EPS from net income was €6.74 both down 24% compared to the prior fiscal year, which included a gain of €3.0 billion within net income and €3.66 within earnings per share from the sale of our hearing aid business and our stake in BSH. Excluding these gains, net income rose 28%. We thus exceeded our fiscal 2016 forecast for a significant increase in net income excluding these gains. This in turn enabled us to exceed our forecast for basic EPS from net income, which we raised twice during fiscal 2016, most recently to a range of €6.50 to €6.70.

ROCE was 14.3% in fiscal 2016. We thus reached our forecast for fiscal 2016, which was to achieve a double-digit ROCE but to come in substantially below the amount of fiscal 2015, which was 21.0%. This decline was due to a combination of lower net income, which in the prior fiscal year benefited from the above-mentioned divestment gains, and an increase in average capital employed, resulting mainly from the acquisition of Dresser-Rand.

We evaluate our **capital structure** using the ratio of industrial net debt to EBITDA. For fiscal 2016, this ratio was 1.0, up from 0.6 in fiscal 2015. This was close to our forecast, which was to reach a ratio below but near 1.0.

Free cash flow from continuing and discontinued operations for fiscal 2016 rose to €5.5 billion, up 17% compared to the prior fiscal year.

We intend to continue providing an attractive return to shareholders. As in the past, we intend to fund our dividend payout from Free cash flow. The Siemens Managing Board, in agreement with the Supervisory Board, proposes a **dividend** of €3.60 per share, up from €3.50 a year earlier.

Key figures fiscal 2016

Volume

				% Change	
		FY 2016	FY 2015	Actual	Comp.[1]
Orders	in millions of €	**86,480**	82,340	5%	4%
Revenue	in millions of €	**79,644**	75,636	5%	4%
Book-to-bill ratio		**1.09**			
Order backlog (Industrial Business)	in billions of €	**113**			

Profitability and Capital efficiency

		FY 2016	FY 2015	% Change
Industrial Business				
Profit	in millions of €	**8,744**	7,737	13%
Profit margin	in %	**10.8**	10.1	
Continuing operations				
EBITDA	in millions of €	**10,216**	9,825	4%
Income from continuing operations	in millions of €	**5,396**	5,349	1%
Basic earnings per share[2]	in €	**6.51**	6.38	2%
Continuing and discontinued operations				
Net income	in millions of €	**5,584**	7,380	(24)%
Basic earnings per share[2]	in €	**6.74**	8.84	(24)%
Return on capital employed (ROCE)	in %	**14.3**	21.0	

Capital structure and Liquidity

		September 30, 2016	September 30, 2015
Total equity (Shareholders of Siemens AG)	in millions of €	**34,211**	34,474
Industrial net debt	in millions of €	**10,505**	6,107
Industrial net debt/EBITDA[3]		**1.0**	0.6

		FY 2016	FY 2015
Free cash flow			
Continuing operations	in millions of €	**5,533**	4,984
Continuing and discontinued operations	in millions of €	**5,476**	4,674

Employees

		September 30, 2016	September 30, 2015
Number of employees	in thousands	**351**	348
Germany	in thousands	**113**	114
Outside Germany	in thousands	**238**	234

1 Throughout excluding currency translation and portfolio effects.

2 Basic earnings per share – attributable to shareholders of Siemens AG. For fiscal 2016 and 2015 weighted average shares outstanding (basic) (in thousands) amounted to 808,686 and 823,408, respectively.

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

The Siemens Share/Investor Relations

Change in the value of an investment in Siemens shares in fiscal 2016
(with dividends reinvested; indexed)

Stock performance. Over the entire fiscal year, Siemens stock performed very well in a volatile market environment, closing at €104.20 per share on September 30, 2016. For shareholders who reinvested their dividends, this amounted to a gain of 35.5% (fiscal 2015: a decline of 12.3%) compared to the price on September 30, 2015. In the same period, the leading German stock exchange index, the DAX, rose 8.8%, while the leading international index MSCI World advanced 11.4% (in both cases, with dividends reinvested).

The strength of the Siemens share is also illustrated by a long-term comparison: the assets of an investor who acquired Siemens stock worth €1,000 at the beginning of fiscal 2007 and reinvested the dividends and the corresponding value of the OSRAM spinoff in Siemens shares would have increased to €2,217 by the end of fiscal 2016. This annual return of 8.3% (on a comparable basis) is above the results for MSCI World (4.5%) and the DAX 30 (5.8%).

Stock market information

		FY 2016[1]	FY 2015[1]
Siemens stock price (Xetra closing price)			
High	in €	**108.60**	105.90
Low	in €	**79.03**	78.59
Fiscal year-end	in €	**104.20**	79.94
Number of shares issued (September 30)	in millions	**850**	881
Market capitalization[2]	in millions of €	**84,223**	64,641
Basic earnings per share[3]	in €	**6.74**	8.84
Diluted earnings per share[3]	in €	**6.65**	8.74
Dividend per share	in €	**3.60**[4]	3.50

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

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

Quarterly statements, half-year and annual reports, earnings releases, ad hoc announcements, analyst presentations, letters to shareholders and press releases are also published online at **WWW.SIEMENS.COM/INVESTORS** as is our financial calendar, which includes all major publication dates for the current year.

Further informationen

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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.