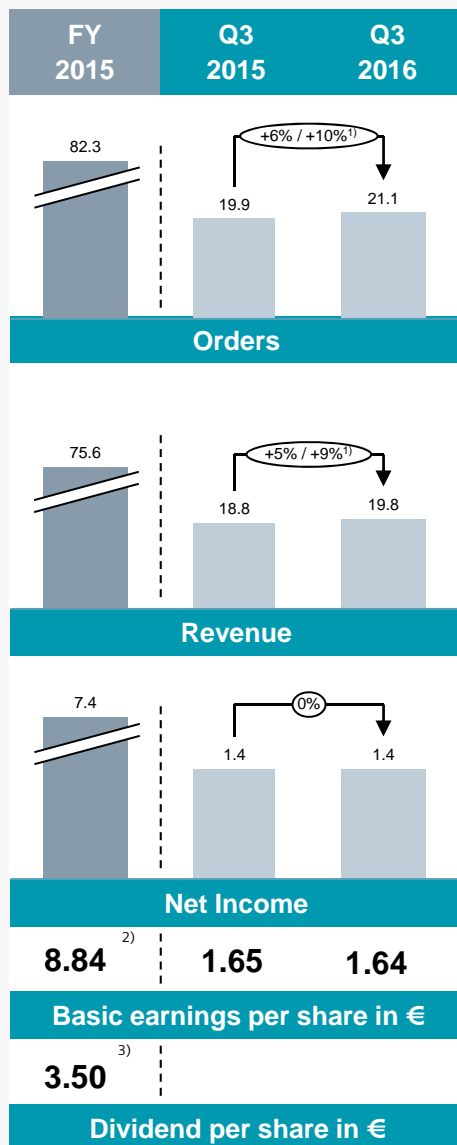


Shareholder Letter

August 2016

Selected Key Figures

(in € billion, except where otherwise stated)



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

Ladies and Gentlemen, dear Shareholders,



on August 4, Siemens President and CEO Joe Kaeser and CFO Ralf P. Thomas presented Siemens' results for the third quarter of 2016. "We are making good progress with execution of Vision 2020 and in the third quarter again achieved convincing results, particularly compared to the market. I am proud of my global team which delivered excellent performance, especially with regard to growth, in an increasingly difficult market environment," said Joe Kaeser.

After a continued strong performance in the first nine months of Fiscal 2016, Siemens raised its previous expectation for basic EPS from net income in the range of €6.00 to €6.40 to the range of €6.50 to €6.70. All other statements of the outlook for fiscal 2016 remain unchanged.

The third quarter in a nutshell: Large orders in Europe and the Americas, particularly in Power and Gas and Wind Power and Renewables, drove third-quarter orders up 6% nominal year-over-year, to €21.1 billion. This led to a new high for the Industrial Business order backlog at €116 billion. Revenue was nominally 5% higher than in the prior-year quarter at €19.8 billion, driven by double-digit growth in Power and Gas and in Wind Power and Renewables. Industrial Business profit climbed 20% year-over-year, to €2.2 billion and took the profit margin up to 10.8%. Net income of €1.4 billion, level with the prior-year quarter which benefited from positive tax effects within discontinued operations.

End of June, the Siemens Capital Market Day Energy and Oil & Gas was held in Houston, Texas (USA). Lisa Davis, member of the Managing Board, as well as the management of Power and Gas, Dresser-Rand, Power Generation Services, Wind Power and Renewables, Energy Management und Process Industries and Drives presented the strategy of their businesses. Further-more they answered the questions of the analysts and investors that were present.

Also in June, Siemens and Gamesa have signed binding agreements to merge Siemens' wind power business, including wind services, with Gamesa to create a leading global wind power player. Further information on both topics can be found in our feature topics on page 4.

Dear shareholders, I wish you a relaxing and sunny summer season. At this point I want to thank you for your trust and interest in Siemens and I am looking forward to informing you about the fourth quarter as well as fiscal year results in November.

Kind regards,

Head of Investor Relations, Siemens AG

Share Performance

Share performance in the last quarter (April 1 – August 4, 2016)

The last quarter was determined by high volatility. In April, the Siemens share and the DAX were driven by a stronger Euro and a fluctuating oil price. Furthermore, the different expectations towards the interest rate policy of the Central Reserve Banks were a relevant factor. Starting end of May, markets were dominated by the „Brexit“ discussion. The final decision pro-Brexit on June 23 led to plunging stock prices, which recovered only slowly.

Siemens share in comparison to its main competitors

In comparison to the main competitors and the DAX the Siemens share performed with a gain of 9% between April 1, 2016 and August 4, 2016 better than GE (-2%), Rockwell (+1%), Schneider (+5%) and the DAX (+3%) but underperformed ABB (+11%) and Toshiba (+41%).

Share performance on the day of the quarterly results

Following strong Q3 results and the raise of the previous expectations for basic EPS from net income in Fiscal 2016 the Siemens share (+4.5%) exceeded the €100 mark outperformed the DAX (+0.6%) on the day of the Q3 results.

Last price¹⁾: EUR 101.15



¹⁾ Closing price on August 4, 2016

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](#)

Power and Gas

- Substantially higher order intake driven by large orders including orders in the US and Bolivia; Revenue growth driven by strong execution from the backlog particularly including recent large orders from Egypt
- Margin 11.1%, continuing strong profit contribution from the service business, including positive effects from the measurement of inventories

Siemens celebrates 1,000 gas turbines from Berlin: electricity for one billion people



The Siemens gas turbine factory in Berlin is shipping its 1,000th gas turbine manufactured at the plant. The gas turbine is destined for the Umm Al Houl combined cycle power plant in Qatar. The total installed capacity of the 1,000 gas turbines produced in Berlin, amounting to nearly 220 GW, would be sufficient to theoretically supply approximately 1 billion people with electricity. (for further information, please click [here](#))

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

Wind Power and Renewables

- Revenue reaches a new high on a quarterly basis, on substantial growth including increases in both offshore and onshore new unit businesses as well as in the service business
- Margin 8.3%, strong profitability includes higher revenue, a more favorable revenue mix, and lower production and installation costs

Siemens wins order for offshore wind power plant in the German Baltic Sea



Siemens has received an order for the supply, installation and commissioning of 60 direct-drive offshore wind turbines, each with a capacity of 6 MW. The customer for the project is a consortium between the German power provider E.ON, and the Norwegian oil and gas company Statoil. When it comes online in 2019, the Arkona offshore wind farm's total capacity will be sufficient to supply up to 400,000 German households with eco-friendly electricity. (for further information, please click [here](#))

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

Energy Management

- Revenue increase in the Americas, declines in the other two reporting regions, including negative effects from currency translation
- Margin 8.3%, continuing broad-based profitability improvements, mainly in the solutions and high voltage products businesses

Siemens receives follow-up order for HVDC link in Bangladesh



Siemens has received an order for an HVDC back-to-back link to connect the power supply networks of India and Bangladesh. On a turnkey basis, Siemens will be responsible for engineering, installing and commissioning of the complete HVDC system. The customer is the Power Grid Company of Bangladesh. Siemens has already installed block 1 in 2013 and will now deliver a second block with a transmission capacity of another 500 MW. (for further information, please click [here](#))

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

News from our Industrial Business

Building Technologies

- Revenue grew in the Americas and in the region comprising Europe, C.I.S., Africa and the Middle East (Europe/CAME), while Asia, Australia reported a moderate decline due to currency translation effects
- Margin 9.1%, profit rises on higher revenue and improved profitability in the Division's product business

Siemens launching Denmark's largest energy performance contracting project



Siemens has created a comprehensive energy efficiency upgrade package for a hospital near Copenhagen. The energy performance contracting project for Hvidovre Hospital includes optimizing the technical plants and expanding the hospital's own renewable energy sources. This project is the largest of its kind in Denmark. In turn, the project guarantees the hospital energy savings of up to 33% per year. (for further information, please click [here](#))

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

Mobility

- Revenue includes growth from execution of large rolling stock projects, offset by lower revenue in the rail infrastructure business
- Margin 8.8%, increase in profit year-over-year was due to lower severance expenses and positive effects from larger contracts

Thameslink Programme: Siemens trains enter service in London



The first Desiro City train from Siemens for the Thameslink network in Greater London was delivered and entered service. Operator Govia Thameslink Railways will operate the trains between Bedford and Brighton initially, followed by the routes to and from Cambridge and Peterborough as well as other destinations in the shires of Kent and Sussex. By the end of 2018, a total of 115 trains will have been delivered. Siemens will take over the complete long-term servicing and maintenance for this new fleet of trains. (for further information, please click [here](#))

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

Digital Factory

- Revenue was up in Europe/CAME and declined in Asia, Australia, particularly in China, and in the Americas
- Margin 15.7%, profitability was held back by deferred revenue adjustments, transaction and integration costs related to the acquisition of CD-adapco

Panasonic and Siemens to cooperate for next-generation electronic equipment assembly plants



Panasonic and Siemens strive for the common advancement of digital production for the electronics industry. Against the backdrop of the Hannover Messe, the two companies signed a memorandum of understanding to work more closely together in the future in the fields of automation concepts for the electronics industry. The focus lies on standardized line integration concepts. (for further information, please click [here](#))

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

Process Industries and Drives

- Lower orders and revenue due to weak demand in commodity-related industries, only partly offset by growth in the wind power components business
- Margin 4.5%, ongoing weakness in oil and gas and other commodity related markets led to overcapacities which take down profit

Highly efficient Simotics crane motors for seaports



The new Simotics DP crane motors are based on the Siemens 1LE1 platform, and are now even more compact and energy efficient. The rugged, gray cast iron motors have been specifically designed to withstand the high-humidity, salt-laden air encountered in container ports around the world. Combined with the Sinamics S120 converter family, they can be used in all typical applications to shift and lift heavy loads quickly and reliably. (for further information, please click [here](#))

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

Healthineers

- Moderate revenue growth in the diagnostic imaging business; offset by declines in other businesses, partially due to negative currency translation effects
- Margin 16.5%, continued strong earnings performance from the diagnostic imaging business

Siemens Healthineers – The new brand for Siemens' healthcare business



Siemens Healthcare unveiled its new brand name Siemens Healthineers. The new brand underlines Siemens Healthcare's pioneering spirit and its engineering expertise in the healthcare industry. It is unique and bold and best describes the Healthcare organization and its people – the people accompanying, serving and inspiring customers – the people behind outstanding products and solutions. (for further information, please click [here](#))

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



**Siemens Capital Market Day
Energy and Oil & Gas**
Houston, June 29, 2016

At the Energy and Oil & Gas Capital Market Day in Houston, Texas, Siemens Managing Board member Lisa Davis explained that the integration of Dresser-Rand and Rolls-Royce's former energy business was expected to generate yearly synergies of €365 million by fiscal 2019 – or €165 million above the planned figure.

"Dresser-Rand and Rolls-Royce Energy are perfectly complementing our offerings in the oil and gas business. On the revenue side, we're realizing substantial synergy potential with our expanded product portfolio, cross-selling and services. On the cost side, we're achieving this primarily by consolidating R&D and procurement, and optimizing our footprint," said Lisa Davis.

The synergies are being generated to a large extent by a strong business portfolio seamlessly combining electrification,

automation and digitalization that enables Siemens to uniquely offer complete solutions and services along the entire energy value chain. Siemens is the leader in power transmission as well as automation and drives, as well as having leading positions in the fields of oil and gas, fossil-fueled power plants and power distribution.



The acquisition of Dresser-Rand and Rolls-Royce's former energy business already expanded the installed base of Siemens products in the energy business by around 100,000 units to more than 140,000 units in fiscal 2015. From the end of fiscal 2014 to the end of the first half of fiscal 2016, the order backlog at Power Generation Services had already grown 28% to €37 billion.

Along the entire energy value chain, Siemens is profiting from its undisputed strength in the digital enterprise. The company's new Sinalytics platform offers customers a technology that further enhances the reliability and efficiency of its products. Sinalytics connects and backs up installed Siemens systems worldwide, thus enabling remote systems monitoring and maintenance.

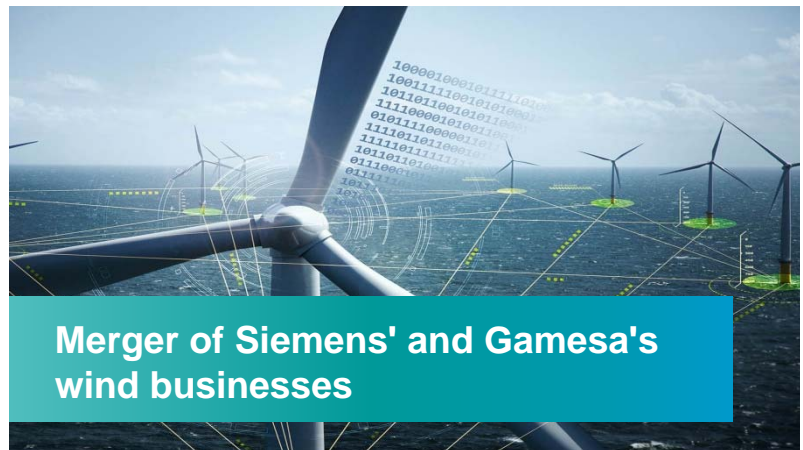
(for further information, please click [here](#))

Siemens and Gamesa have signed binding agreements to merge Siemens' wind power business, including wind services, with Gamesa to create a leading global wind power player. Siemens will receive newly issued shares of the combined company and will hold 59 percent of the share capital while Gamesa's existing shareholders will hold 41 percent. As part of the merger, Siemens will fund a cash payment of €3.75 per share, 26 percent of Gamesa's unaffected share price at market close on January 28, 2016, which will be distributed to Gamesa's shareholders immediately following the completion of the merger.

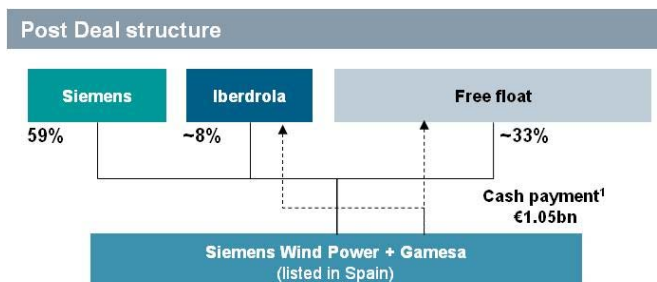
Additionally, Gamesa and Areva have entered into contractual agreements whereby Areva waives existing contractual restrictions in Gamesa's and Areva's offshore wind joint venture Adwen, simplifying the merger between Gamesa and Siemens.

The new company, which will be consolidated in Siemens' financial statements, is expected to have on a pro forma basis a 69 GW installed base worldwide, an order backlog of around €20bn, revenue of €9.3bn and an adjusted EBIT of €839m. The combined company will have its legal domicile and global headquarters in Spain and will remain listed in Spain. The onshore headquarters will be located in Spain, while the offshore headquarters will reside in Hamburg, Germany, and Vejle, Denmark.

Siemens and Gamesa expect significant synergy potentials in a combined setup. In total, annual EBIT synergies of €230m are expected in year 4 post closing. (for further information, please click [here](#))



**Merger of Siemens' and Gamesa's
wind businesses**



¹ Funded by Siemens

Frequently Asked Questions

On June 23, 2016 the British people voted with a small majority to leave the European Union. The so-called "Brexit" strongly influenced the European capital markets in July. The long-term effects can currently still not be estimated.

How does Siemens see the „Brexit“ decision?

Siemens has always made it clear that this was a decision of the British people and their view must be respected.

How does the „Brexit“ affect Siemens' business?

As a global business with significant long-term investments in the UK and high local value creation, Siemens is not so much exposed to negative effects that we might see.

What is the current footprint in the UK?

Siemens has been active in the UK for more than 170 years, with locations throughout the country. Today, we generate revenue of around €4 billion and employ about 14,000 people. With 13 manufacturing sites, Siemens has a strong local footprint in the UK.

Does Siemens remain committed to the UK?

Yes, Siemens remains committed to our business in the UK. Joe Kaeser said at an event of the House of Commons on July 11, 2016: "We will continue to create value in the UK. We will continue to contribute to society in the UK. We will continue to do business as usual in the UK."

(for further information about Siemens' view on the Brexit, please click [here](#))

Financial Calendar

10 November 2016		1 February 2017		4 May 2017	
4th quarter 2016 financial results		1st quarter 2017 financial results & AGM		2nd quarter 2017 financial results	

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

We are happy to answer all of your questions

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How does Siemens assess the further course of fiscal 2016?

We raise our previous expectation for basic EPS from net income in the range of €6.00 to €6.40 to the range of €6.50 to €6.70. We continue to expect for fiscal 2016 moderate revenue growth, net of effects from currency translation. We continue to anticipate that orders will materially exceed revenue for a book-to-bill ratio clearly above 1. For our Industrial Business, we continue to expect a profit margin of 10% to 11%.

This outlook excludes charges related to legal and regulatory matters.

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.