

SIEMENS

Ingenuity for life

Half-year Financial Report

First Half of Fiscal 2016

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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 2015, which includes a detailed analysis of our operations and activities.

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 2016	FY 2015	Actual	Comp.
Europe, C.I.S., Africa, Middle East	26,790	19,971	34%	33%
<i>therein: Germany</i>	5,439	6,258	(13)%	(13)%
Americas	10,931	11,967	(9)%	(16)%
<i>therein: U.S.</i>	8,320	7,879	6%	(8)%
Asia, Australia	7,374	6,828	8%	5%
<i>therein: China</i>	3,272	2,942	11%	9%
Siemens	45,095	38,766	16%	13%
<i>therein: emerging markets</i>	17,103	12,890	33%	32%

Siemens worldwide

- Order growth includes a majority of industrial businesses and was influenced strongly by changes in the volume from large orders year-over-year
- Currency translation tailwinds added one percentage point and portfolio effects added three percentage points to order growth
- Book-to-bill ratio of 1.19
- Industrial Business order backlog with new high at €115 billion

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

- Increase due to sharply higher volume from large orders: Power and Gas with orders totaling €4.7 billion for power plants, including service, in Egypt; Wind Power and Renewables with orders totaling €2.2 billion for offshore wind-farms, including service, in the UK
- In Germany, lower volume from large orders in Mobility; first half FY 2015 included a €1.7 billion order for regional trains and maintenance

Americas

- Lower volume from large orders in Wind Power and Renewables and in Energy Management more than offset growth in Power and Gas; first half FY 2015 included large high-voltage direct current orders in Energy Management
- U.S. growth led by Power and Gas and Healthcare, which more than offset decreases in Wind Power and Renewables and Mobility; growth benefited from currency translation tailwinds

Asia, Australia

- Mobility and Healthcare drive growth for China and the region

| Revenue (location of customer)

(in millions of €)	First half		% Change	
	FY 2016	FY 2015	Actual	Comp.
Europe, C.I.S., Africa, Middle East	19,763	18,609	6%	5%
<i>therein: Germany</i>	5,198	5,366	(3)%	(3)%
Americas	10,869	9,797	11%	3%
<i>therein: U.S.</i>	8,090	6,671	21%	8%
Asia, Australia	7,255	7,058	3%	(2)%
<i>therein: China</i>	3,103	3,219	(4)%	(8)%
Siemens	37,887	35,464	7%	3%
<i>therein: emerging markets</i>	12,642	11,637	9%	6%

Siemens worldwide

- Higher revenue in a majority of industrial businesses, led by Power and Gas
- Currency translation tailwinds added one percentage point and portfolio effects added three percentage points to revenue growth

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

- Regional increase due mainly to Power and Gas including higher revenue in the large gas turbine and steam turbine businesses
- In Germany, lower Wind Power and Renewables revenue only partially offset by higher revenue in Mobility

Americas

- Increases in nearly all industrial businesses, benefitting from favorable currency translation effects in the U.S.

Asia, Australia

- Revenue growth in the region resulted mainly from increases in Power and Gas and in Healthcare, which more than offset a decline in Mobility in China

A.1.2 Income

(in millions of €, earnings per share in €)	First half		% Change
	FY 2016	FY 2015	
Power and Gas	884	713	24%
<i>Profit margin</i>	11.6%	11.8%	
Wind Power and Renewables	188	37	>200%
<i>Profit margin</i>	7.1%	1.3%	
Energy Management	355	201	76%
<i>Profit margin</i>	6.5%	3.7%	
Building Technologies	242	212	14%
<i>Profit margin</i>	8.3%	7.5%	
Mobility	346	313	11%
<i>Profit margin</i>	8.7%	8.5%	
Digital Factory	780	793	(2)%
<i>Profit margin</i>	16.0%	16.5%	
Process Industries and Drives	215	263	(18)%
<i>Profit margin</i>	4.9%	5.8%	
Healthcare	1,095	939	17%
<i>Profit margin</i>	16.6%	15.5%	
Industrial Business	4,105	3,470	18%
<i>Profit margin</i>	10.7%	9.6%	
Financial Services (SFS)	394	341	16%
Reconciliation to Consolidated Financial Statements	(720)	296	n/a
Income from continuing operations before income taxes	3,779	4,107	(8)%
Income tax expenses	(902)	(1,004)	10%
Income from continuing operations	2,878	3,103	(7)%
Income from discontinued operations, net of income taxes	159	1,901	(92)%
Net income	3,037	5,004	(39)%
Basic earnings per share	3.67	5.99	(39)%
ROCE	15.7%	30.4%	

Industrial Business

- Power and Gas: positive effects totaling €130 million from revised estimates related to resumption of long-term construction and service contracts in Iran following the ending or easing of EU and U.S. sanctions; higher contribution from the service business; weaker results in the solutions business; overcapacities and continuing challenges resulting in increased price pressure in most regional markets
- Wind Power and Renewables: lower production and installation costs; positive effects from project execution and completion
- Energy Management: continuing profitability improvements mainly in the solutions, transformers and high voltage products businesses
- Process Industries and Drives: ongoing operational challenges in the oil and gas and the large drives businesses, including overcapacities, take down profit, which benefited from currency hedging effects; planned capacity adjustments announced during the second quarter are expected to burden profit particularly in the last quarter of fiscal 2016
- Healthcare: strong earnings performance from the diagnostic imaging business; profit also benefited from currency hedging effects
- Higher selling and R&D expenses, primarily in Power and Gas, Digital Factory and Healthcare
- Severance charges for Industrial Business were €139 million (first half FY 2015: €129 million)

Income from continuing operations before income taxes

- Financial Services: equity business results came in above the high level of first half FY 2015; higher level of credit hits
- Severance charges for continuing operations were €167 million (first half FY 2015: €187 million)
- Equity investment loss from Siemens' stake in Primetals Technologies Ltd. which is operating in a difficult market environment
- Higher interest expenses, mainly related to US\$ bonds issued in May 2015
- Higher amortization of intangible assets acquired in business combinations primarily due to the acquisition of Dresser-Rand
- First half FY 2015:
 - Gain of €1.4 billion on disposal of Siemens' stake in BSH Bosch und Siemens Hausgeräte GmbH and loss of €0.2 billion related to the stake in Unify Holdings B.V.
 - Negative effects at Corporate Treasury related to changes in the fair value of interest rate derivatives not qualifying for hedge accounting
 - Negatively influenced by the fair value of warrants issued together with US\$3 billion in bonds in fiscal 2012

Income from continuing operations

- Low tax rate of 24%, primarily due to release of a deferred tax liability

Income from discontinued operations, net of income taxes

- Includes €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
- First half FY 2015: Gains from the disposal of the hearing aid and hospital information businesses totaling €1.6 billion and €0.2 billion, respectively

Net income, Basic earnings per share, ROCE

- ROCE in the target range due to strong Net income, even with substantial increase in average capital employed resulting from acquisition of Dresser-Rand between the periods under review; first half FY 2015 included the substantial divestment gains mentioned above

A.2 Net assets position

(in millions of €)	Mar 31, 2016	Sep 30, 2015	% Change
Current assets	50,544	51,442	(2)%
<i>therein: total liquidity</i>	7,529	11,132	(32)%
Non-current assets	67,782	68,906	(2)%
Total assets	118,327	120,348	(2)%
Current liabilities	42,061	39,562	6%
Non-current liabilities	42,950	45,730	(6)%
Equity	33,316	35,056	(5)%
Total liabilities and equity	118,327	120,348	(2)%

Decrease in total assets driven by negative currency translation effects

Current assets

- Higher inventories primarily due to a build-up in the Power and Gas, Wind Power and Renewables as well as Energy Management Divisions
- Increase in other current financial assets mainly due to the reclassification of non-current loans receivables at SFS

Non-current assets

- Lower other financial assets mainly due to the above-mentioned reclassification of loans receivables

Current liabilities

- Issuance of commercial paper increased Short-term debt and current maturities of long-term debt partly offset by redemption of bonds
- €3.7 billion bonds were reclassified from long-term debt to short-term debt and current maturities of long-term debt

Non-current liabilities

- Long-term debt decreased mainly due to the above-mentioned reclassification
- Underfunding of Siemens' defined benefit plans as of March 31, 2016: €11.4 billion (September 30, 2015: €9.5 billion); therein underfunding of pension benefit plans as of March 31, 2016: €10.9 billion (September 30, 2015: €9.0 billion); increase due mainly to a lower discount rate assumption partly offset by a positive return on plan assets; weighted-average discount rate as of March 31, 2016: 2.4% (September 30, 2015: 3.0%)

Equity

- Decrease related to dividend payments and other comprehensive income, net of income taxes, due to negative results from remeasurements of defined benefit plans and negative currency translation differences, partly offset by net income

A.3 Financial position

Cash flows

	First half FY 2016		
(in millions of €)	Continuing operations	Discontinued operations	Continuing and discontinued operations
Cash flows from:			
Operating activities	929	(31)	898
Investing activities	(1,273)	276	(996)
<i>therein: Additions to intangible assets and property, plant and equipment</i>	<i>(814)</i>	<i>-</i>	<i>(814)</i>
Free cash flow	115	(31)	84
Financing activities	(3,387)	-	(3,387)

Cash flows from operating activities

- Conversion of profit into a significant amount of cash inflows from operating activities was mainly driven by Digital Factory and Healthcare
- Cash outflows of €1.7 billion related to the change in operating net working capital was mainly due to a build-up of inventories, particularly in Power and Gas, Wind Power and Renewables as well as Energy Management Divisions

Cash flows from investing activities

- Inflows from disposals and outflows for purchases of current available-for-sale financial assets were offsetting, at a positive €0.5 billion and negative €0.5 billion, respectively; both in- and outflows included changes in assets eligible as central-bank-collateral
- Cash outflows of €0.4 billion for increase in receivables from financing activities resulting from a net increase in business volume at SFS

Cash flows from financing activities

- Cash outflows of €2.8 billion for dividends paid and €0.3 billion for the purchase of treasury shares under Siemens' share buyback program
- Cash outflows of €0.5 billion for redemption of bonds
- Cash inflows of €0.7 billion from the change in short-term debt and other financing activities mainly due to issuance of US\$-commercial paper partly offset by repayments of loans from banks

A.4 Outlook

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.

A.5 Risks and opportunities

In our Annual Report for fiscal 2015 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 2015, in this Interim Group Management Report and in legal proceedings in Note 6 in B.6 Notes to Half-year Consolidated Financial Statements. 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 2016	FY 2015
Revenue	37,887	35,464
Cost of sales	(26,282)	(24,906)
Gross profit	11,605	10,557
Research and development expenses	(2,211)	(2,097)
Selling and general administrative expenses	(5,729)	(5,375)
Other operating income	96	211
Other operating expenses	(206)	(165)
Income (loss) from investments accounted for using the equity method, net	152	1,376
Interest income	656	606
Interest expenses	(496)	(361)
Other financial income (expenses), net	(89)	(645)
Income from continuing operations before income taxes	3,779	4,107
Income tax expenses	(902)	(1,004)
Income from continuing operations	2,878	3,103
Income from discontinued operations, net of income taxes	159	1,901
Net income	3,037	5,004
Attributable to:		
Non-controlling interests	68	38
Shareholders of Siemens AG	2,969	4,966
Basic earnings per share		
Income from continuing operations	3.48	3.70
Income from discontinued operations	0.20	2.29
Net income	3.67	5.99
Diluted earnings per share		
Income from continuing operations	3.43	3.66
Income from discontinued operations	0.19	2.27
Net income	3.63	5.93

B.2 Consolidated Statements of Comprehensive Income

(in millions of €)	First half	
	FY 2016	FY 2015
Net income	3,037	5,004
Remeasurements of defined benefit plans	(1,316)	(1,489)
<i>therein: Income tax effects</i>	497	870
Items that will not be reclassified to profit or loss	(1,316)	(1,489)
<i>therein: Income (loss) from investments accounted for using the equity method, net</i>	5	(20)
Currency translation differences	(661)	2,374
Available-for-sale financial assets	14	346
<i>therein: Income tax effects</i>	10	(15)
Derivative financial instruments	147	(293)
<i>therein: Income tax effects</i>	(64)	106
Items that may be reclassified subsequently to profit or loss	(500)	2,427
<i>therein: Income (loss) from investments accounted for using the equity method, net</i>	(122)	67
Other comprehensive income, net of income taxes	(1,815)	938
Total comprehensive income	1,221	5,941
Attributable to:		
Non-controlling interests	62	106
Shareholders of Siemens AG	1,159	5,835

B.3 Consolidated Statements of Financial Position

(in millions of €)	Note	Mar 31, 2016	Sep 30, 2015
Assets			
Cash and cash equivalents		6,307	9,957
Available-for-sale financial assets		1,222	1,175
Trade and other receivables		16,105	15,982
Other current financial assets		6,182	5,157
Inventories		18,554	17,253
Current income tax assets		697	644
Other current assets		1,446	1,151
Assets classified as held for disposal		30	122
Total current assets		50,544	51,442
Goodwill		23,229	23,166
Other intangible assets		7,527	8,077
Property, plant and equipment		9,904	10,210
Investments accounted for using the equity method		3,054	2,947
Other financial assets		20,036	20,821
Deferred tax assets		2,864	2,591
Other assets		1,169	1,094
Total non-current assets		67,782	68,906
Total assets		118,327	120,348
Liabilities and equity			
Short-term debt and current maturities of long-term debt	3	6,825	2,979
Trade payables		7,148	7,774
Other current financial liabilities		1,914	2,085
Current provisions		4,491	4,489
Current income tax liabilities		1,766	1,828
Other current liabilities		19,917	20,368
Liabilities associated with assets classified as held for disposal		1	39
Total current liabilities		42,061	39,562
Long-term debt	3	22,550	26,682
Post-employment benefits		11,683	9,811
Deferred tax liabilities		530	609
Provisions		4,874	4,865
Other financial liabilities		1,088	1,466
Other liabilities		2,225	2,297
Total non-current liabilities		42,950	45,730
Total liabilities		85,011	85,292
Equity	4		
Issued capital		2,550	2,643
Capital reserve		5,748	5,733
Retained earnings		26,359	30,152
Other components of equity		1,669	2,163
Treasury shares, at cost		(3,494)	(6,218)
Total equity attributable to shareholders of Siemens AG		32,833	34,474
Non-controlling interests		483	581
Total equity		33,316	35,056
Total liabilities and equity		118,327	120,348

B.4 Consolidated Statements of Cash Flows

(in millions of €)	First half	
	FY 2016	FY 2015
Cash flows from operating activities		
Net income	3,037	5,004
Adjustments to reconcile net income to cash flows from operating activities - continuing operations		
Income from discontinued operations, net of income taxes	(159)	(1,901)
Amortization, depreciation and impairments	1,340	1,195
Income tax expenses	902	1,004
Interest (income) expenses, net	(160)	(245)
(Income) loss related to investing activities	(220)	(1,554)
Other non-cash (income) expenses	253	(162)
Change in operating net working capital		
Inventories	(1,483)	(1,156)
Trade and other receivables	(433)	1
Trade payables	(582)	(964)
Billings in excess of costs and estimated earnings on uncompleted contracts and related advances	790	364
Additions to assets leased to others in operating leases	(219)	(185)
Change in other assets and liabilities	(1,991)	(700)
Income taxes paid	(864)	(980)
Dividends received	139	325
Interest received	580	546
Cash flows from operating activities - continuing operations	929	594
Cash flows from operating activities - discontinued operations	(31)	(182)
Cash flows from operating activities - continuing and discontinued operations	898	412
Cash flows from investing activities		
Additions to intangible assets and property, plant and equipment	(814)	(756)
Acquisitions of businesses, net of cash acquired	(63)	(1,396)
Purchase of investments	(105)	(334)
Purchase of current available-for-sale financial assets	(509)	(361)
Change in receivables from financing activities	(416)	(1,113)
Disposal of investments, intangibles and property, plant and equipment	155	3,141
Disposal of businesses, net of cash disposed	10	382
Disposal of current available-for-sale financial assets	470	199
Cash flows from investing activities - continuing operations	(1,273)	(238)
Cash flows from investing activities - discontinued operations	276	2,890
Cash flows from investing activities - continuing and discontinued operations	(996)	2,651
Cash flows from financing activities		
Purchase of treasury shares	(285)	(1,092)
Other transactions with owners	(13)	2
Issuance of long-term debt	-	61
Repayment of long-term debt (including current maturities of long-term debt)	(467)	(11)
Change in short-term debt and other financing activities	743	1,280
Interest paid	(377)	(250)
Dividends paid to shareholders of Siemens AG	(2,827)	(2,728)
Dividends attributable to non-controlling interests	(162)	(65)
Cash flows from financing activities - continuing operations	(3,387)	(2,802)
Cash flows from financing activities - discontinued operations	-	5
Cash flows from financing activities - continuing and discontinued operations	(3,387)	(2,797)
Effect of changes in exchange rates on cash and cash equivalents	(165)	544
Change in cash and cash equivalents	(3,650)	810
Cash and cash equivalents at beginning of period	9,958	8,034
Cash and cash equivalents at end of period	6,307	8,845
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)	6,307	8,844

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, 2014	2,643	5,525	25,729	745	373	(314)	(3,747)	30,954	560	31,514
Net income	–	–	4,966	–	–	–	–	4,966	38	5,004
Other comprehensive income, net of income taxes	–	–	(1,489)	2,302	346	(289)	–	869	68	938
Dividends	–	–	(2,728)	–	–	–	–	(2,728)	(71)	(2,799)
Share-based payment	–	27	(37)	–	–	–	–	(9)	–	(9)
Purchase of treasury shares	–	–	–	–	–	–	(1,078)	(1,078)	–	(1,078)
Re-issuance of treasury shares	–	18	–	–	–	–	184	202	–	202
Transactions with non-controlling interests	–	–	(9)	–	–	–	–	(9)	13	4
Other changes in equity	–	–	9	–	–	–	–	9	1	10
Balance as of March 31, 2015	2,643	5,571	26,441	3,047	718	(603)	(4,641)	33,176	610	33,786
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

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, 2016 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, 2015. The Half-year financial statements apply the same accounting principles and practices as those used in the 2015 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, 2016.

NOTE 2 Acquisitions

In April 2016, Siemens acquired CD-adapco group, a U.S.-based engineering simulation company with software solutions covering a wide range of engineering disciplines. The acquisition supplements Siemens' industry software portfolio and thereby contributes to the expansion of the digital enterprise portfolio. The acquired business will be integrated in the Division Digital Factory. The purchase price amounts to US\$970 million (€852 million) and is subject to customary net cash and working capital adjustments.

In June 2015, Siemens acquired all shares of Dresser-Rand Group Inc., Houston, Texas (U.S.) and Paris (France). The following figures result from the updated preliminary purchase price allocation as of the acquisition date: Other intangible assets €2,756 million, Property, plant and equipment €242 million, Cash and cash equivalents €176 million, Trade and other receivables €315 million, Other current financial assets €146 million, Inventories €508 million, Other current assets €105 million, Deferred tax assets €216 million, Debt including outstanding financial debt settled €1,039 million, Trade payables €225 million, Provisions €106 million, Other current liabilities €385 million and Deferred tax liabilities €915 million. Intangible assets mainly relate to technology of €406 million, customer relationships of €2,284 million and trademarks of €66 million. Preliminary goodwill amounts to €4,374 million.

NOTE 3 Debt

(in millions of €)	Current debt		Non-current debt	
	Mar 31, 2016	Sep 30, 2015	Mar 31, 2016	Sep 30, 2015
Notes and bonds	3,619	456	21,370	25,498
Loans from banks	463	755	996	1,000
Other financial indebtedness	2,729	1,737	70	68
Obligations under finance leases	15	31	114	115
Total debt	6,825	2,979	22,550	26,682

In the six months ended March 31, 2016, the 5.625% US\$500 million fixed-rate instrument was redeemed as due. As of March 31, 2016 and September 30, 2015, US\$3.0 billion (€2.6 billion) and US\$1.7 billion (€1.5 billion) in commercial paper were outstanding.

NOTE 4 Shareholders' equity

In the six months ended March 31, 2016 and 2015, Siemens repurchased 2,992 thousand and 11,907 thousand treasury shares, respectively. Siemens transferred a total of 3,778 thousand and 2,211 thousand shares of treasury stock, respectively, in connection with share-based payments in the six months ended March 31, 2016 and 2015. In February 2016, 31 million of Siemens AG shares were retired. In January 2016, a dividend of €3.50 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, 2016	Sep 30, 2015
Credit guarantees	802	859
Guarantees of third-party performance	2,197	2,292
HERKULES obligations	690	1,090
	3,689	4,241

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 €1,116 million and €1,755 million as of March 31, 2016 and September 30, 2015, respectively.

NOTE 6 Legal proceedings

Proceedings out of or in connection with alleged breaches of contract

As previously reported, during fiscal year 2014, Siemens Industrial Turbomachinery Ltd., United Kingdom, was sued before an Iranian Court. The Parties have finalized their dispute at the end of calendar year 2015.

Proceedings out of or in connection with alleged compliance violations

As previously reported, the Israeli Exchange Supervisory Authority (ISA) concluded its investigation regarding potentially illegal payments that were allegedly paid to Israeli Electric Company-representatives in the early 2000's, and transferred the investigation files to the Israeli District Attorney (DA) in August 2015, in order to decide whether or not to take any legal steps against any of the suspects named in the ISA investigation. Siemens fully cooperated with the Israeli authorities. On May 2, 2016 the DA filed criminal charges versus Siemens Israel Ltd. Siemens AG was not indicted, as it was possible for Siemens AG to conclude a non-prosecution agreement with the DA that obliges Siemens AG to pay an amount in the mid double-digit euro million range. For the expected cash outflow from this case provisions exist as of March 31, 2016.

For legal proceedings, information required under IAS 37, Provisions, Contingent Liabilities and Contingent Assets is not disclosed if the Company concludes that the disclosure can be expected to seriously prejudice the outcome of the matter.

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, 2016		Sep 30, 2015	
	Fair value	Carrying amount	Fair value	Carrying amount
Notes and bonds	26,092	24,989	26,516	25,955
Loans from banks, other financial indebtedness and finance leases	4,440	4,387	3,752	3,706

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, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value, thereof:	1,886	4,353	311	6,550
Available-for-sale financial assets: equity instruments	1,886	–	299	2,185
Available-for-sale financial assets: debt instruments	–	1,108	12	1,120
Derivative financial instruments	–	3,245	–	3,245
Financial liabilities measured at fair value – Derivative financial instruments	–	1,449	–	1,449

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 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015	2016	2015	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Power and Gas	11,725	6,860	7,588	5,961	17	60	7,605	6,021	884	713	9,453	8,871	(23)	27	76	67	269	141
Wind Power and Renewables	4,039	2,727	2,657	2,739	–	2	2,658	2,740	188	37	(320)	(346)	152	(119)	63	42	65	63
Energy Management	6,486	6,202	5,172	5,204	302	281	5,473	5,485	355	201	4,605	3,929	(393)	(303)	69	79	103	106
Building Technologies	3,007	2,893	2,859	2,768	63	55	2,922	2,823	242	212	1,412	1,337	174	192	26	23	42	42
Mobility	4,488	5,054	3,949	3,682	10	12	3,959	3,694	346	313	2,838	2,526	88	245	42	67	64	62
Digital Factory	5,068	4,959	4,492	4,413	373	406	4,865	4,819	780	793	5,060	4,906	640	661	71	73	138	133
Process Industries and Drives	4,609	4,625	3,521	3,627	829	891	4,350	4,518	215	263	2,174	2,152	204	141	57	60	109	115
Healthcare	6,595	6,208	6,588	6,047	19	16	6,607	6,062	1,095	939	11,368	11,153	701	494	171	160	282	263
Industrial Business	46,016	39,527	36,826	34,440	1,613	1,722	38,440	36,163	4,105	3,470	36,589	34,527	1,544	1,337	574	571	1,072	924
Financial Services (SFS)	515	501	435	406	80	96	515	501	394	341	25,325	24,970	371	467	8	7	109	108
Reconciliation to Consolidated Financial Statements	(1,437)	(1,262)	626	618	(1,694)	(1,818)	(1,068)	(1,200)	(720)	296	56,413	60,851	(1,800)	(1,966)	232	178	159	163
Siemens (continuing operations)	45,095	38,766	37,887	35,464	–	–	37,887	35,464	3,779	4,107	118,327	120,348	115	(163)	814	756	1,340	1,195

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 presented for continuing operations. Accounting policies and segment measurement principles are the same as those described in the September 30, 2015 Annual Report.

Reconciliation to Consolidated Financial Statements

Profit

(in millions of €)	First half	
	FY 2016	FY 2015
Centrally managed portfolio activities	(83)	1,103
Siemens Real Estate	45	105
Corporate items	(41)	(242)
Centrally carried pension expense	(208)	(216)
Amortization of intangible assets acquired in business combinations	(325)	(244)
Eliminations, Corporate Treasury, and other reconciling items	(108)	(210)
Reconciliation to Consolidated Financial Statements	(720)	296

Assets

(in millions of €)	Mar 31,	Sep 30,
	2016	2015
Assets Centrally managed portfolio activities	1,267	1,322
Assets Siemens Real Estate	4,856	4,895
Assets Corporate items and pensions	(1,207)	(2,012)
Asset-based adjustments:		
Intragroup financing receivables and investments	42,713	45,576
Tax-related assets	3,428	3,103
Liability-based adjustments	40,381	42,282
Eliminations, Corporate Treasury, other items	(35,025)	(34,315)
Reconciliation to Consolidated Financial Statements	56,413	60,851

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 2016	FY 2015	FY 2016	FY 2015	2016	2015	2016	2015
Joint ventures	335	149	16	12	292	167	514	377
Associates	562	301	94	78	73	113	470	638
	897	450	110	90	366	280	984	1,015

As of March 31, 2016 and September 30, 2015, guarantees for joint ventures and associates amounted to €1,538 million and €2,114 million, respectively, including the HERKULES obligations.

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, 2016

Siemens Aktiengesellschaft

The Managing Board

Joe Kaeser

Dr. Roland Busch

Lisa Davis

Klaus Helmrich

Janina Kugel

Prof. Dr. Siegfried Russwurm

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, 2015 to March 31, 2016 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, 2016

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 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.

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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