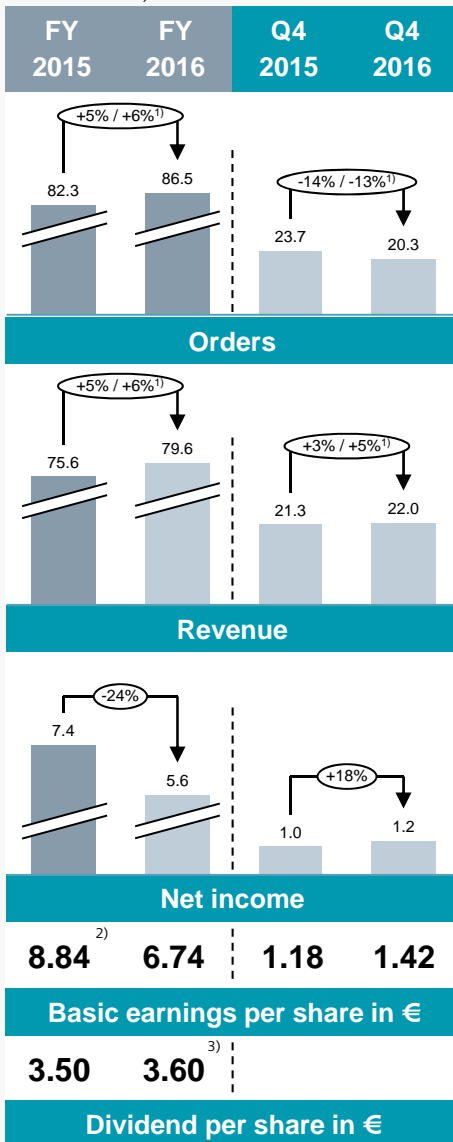


# Shareholder Letter

## November 2016

### Selected Key Figures

(preliminary and unaudited; in € billion, except where otherwise stated)



<sup>1)</sup> Changes are adjusted for currency translation effects  
<sup>2)</sup> €5.18 excl. portfolio gains from divestments of Hearing Aid and our stake in BSH  
<sup>3)</sup> Proposed dividend for approval at Annual Shareholders' Meeting on February 1, 2017

Ladies and Gentlemen, dear Shareholders,



during last week's press conference and analyst call, Siemens CEO Joe Kaeser and CFO Ralf P. Thomas reviewed the performance for Siemens' fourth quarter and fiscal 2016.

"The fiscal year just ended was one of the strongest in the history of our company. Setting aside portfolio divestments, it was actually the best. We worked hard and I am proud of what our global team has

achieved. In fiscal 2017, we will continue working with full concentration on the execution of Vision 2020," said Joe Kaeser.

The twice-raised guidance for fiscal 2016 was exceeded. For fiscal 2016, Siemens proposes a dividend of €3.60 per share, an increase of about 3%. Siemens' new guidance for fiscal 2017 can be found on page 5.

For fiscal 2016, orders and revenue were both 5% higher compared to fiscal 2015 on a nominal basis, at €86.5 billion and €79.6 billion, respectively, for a book-to-bill ratio of 1.09. Net income of €5.6 billion reflects the strong operating performance. Basic earnings per share (EPS) of €6.74 were above the raised target range announced in the 3<sup>rd</sup> quarter.

A brief look at some details of the past quarter: orders of €20.3 billion were 14% lower than in the prior-year period which included a substantially higher volume from large orders, while revenue was 3% higher at €22.0 billion, both on a nominal basis. Net income was up 18%, at €1.2 billion, due mainly to Centrally managed portfolio activities, with corresponding earnings per share of €1.42.

Furthermore Siemens is executing its Vision 2020 also with focus on strengthening its core portfolio. Siemens announced that it is planning to publicly list its healthcare business. The public listing will give Healthineers even more focus and flexibility in pursuing its growth strategy (further [information](#)).

On November 14, Siemens announced, that it is to acquire the design automation and industrial software provider Mentor Graphics for \$37.25 per share (\$4.5 billion in total). Mentor Graphics is a pioneer and leader in design automation software. Siemens becomes a unique digital industrial player to offer mechanical, thermal, electrical, electronic and embedded software design capabilities on a single integrated platform (further [information](#)).

In September, Siemens was present at two important trade shows. At the WindEnergy Hamburg 2016 and InnoTrans 2016, Siemens presented the current status and future prospects for the wind industry as well as competitive and attractive solutions for mobility. You can find further information on page 4.

The Frequently Asked Questions on page 5 in this issue deal with "next47", Siemens separate unit for start-ups.

Dear Shareholders, I wish you and your families a wonderful holiday season and am looking forward to inform you in the new year, shortly after our AGM, about the results of Q1 in Fiscal 2017.

Kind regards,

Head of Investor Relations, Siemens AG

## Share Performance

### Share performance July 1 – November 10, 2016

Market volatility continued throughout the last quarter. Investor expectations with regards to an interest rate raise of the US Federal Reserve Bank as well as the Chinese economic data influenced the markets until Mid of October. Afterwards, nervousness ahead of the upcoming US presidential elections strongly weighed on the further development. The Siemens share price increased after Q3-figures in August significantly above 100 € and could keep this level throughout the quarter and therefore performed clearly better than the DAX.

### Siemens share in comparison to its main competitors

In comparison to the main competitors and the DAX, the Siemens share (+19%) performed between July 1, 2016 and November 10, 2016 better than GE (-3%), ABB (+10%), the DAX (+10%) and Rockwell (+14%) but underperformed Schneider (+21%) and Toshiba (+39%).

### Share performance on the day of the quarterly results

Following strong Q4 and fiscal 2016 results, the new guidance for fiscal 2017 and the announcement that Siemens is planning to publicly list its healthcare business the Siemens share (+4.6%) outperformed the DAX (-0.1%) clearly.

Last price<sup>1)</sup>: EUR 109.30



<sup>1)</sup> Closing price on November 10, 2016

For further information:

[http://www.siemens.com/investor/en/siemens\\_share.htm](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

- Revenue growth driven by strong execution from the backlog particularly including large orders in Egypt; increases in all 3 reporting regions
- Margin 11.2%, profitability influenced by a less favorable revenue mix, lower severance as well as positive effects from measurement of inventories

#### Siemens to supply key power plant components to industrial customer in Mexico



Siemens has received an order to supply 1 H-class gas turbine, 1 SST-800 steam turbine, 2 associated generators and 4 switchgear units for the Altamira combined cycle cogeneration power plant in Mexico. The power plant will have an electrical capacity of 350 MW and will also provide process steam, making this the largest private cogeneration project to date for Siemens in Mexico. (for further information, please click [here](#))

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

### Wind Power and Renewables

- Clear revenue increase in the offshore new unit business despite negative effects from currency translation
- Margin 8.3%, continued strong profitability driven by higher revenue, improved productivity in production and installation, increased capacity utilization, and a larger contribution from the service business

#### Ventotec signs framework agreement for at least 200 Siemens wind turbines



At WindEnergy Hamburg 2016, German wind power plant project developer Ventotec GmbH, headquartered at Leer in East Friesland, signed a framework agreement for the supply of at least 200 Siemens direct-drive wind turbines. The turbines will be deployed in a number of current and upcoming onshore projects being planned by Ventotec across Germany. In addition, Siemens will service the turbines on behalf of Ventotec under a 20-year full-scope maintenance agreement. (for further information, please click [here](#))

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

### Energy Management

- Revenue up mainly due to growth in the solutions and transformer businesses; increase in all 3 reporting regions
- Margin 8.4%, robust profit development compared to the strong year-end quarter a year earlier, including profitability improvements in a majority of businesses led by the high voltage products and solutions businesses

#### Electrical and automation equipment for the world's most efficient aluminum factory



Hydro Aluminium AS is building the most climate-friendly, energy-efficient aluminum smelting plant in the world on Norway's Karmøy peninsula. Siemens is supplying a VB1 high-current switchgear with vacuum switching technology and the high-current supply unit for production. Measuring 34 meters long with 26 switchgear panels, it will be the longest high-current and generator switchgear ever built by Siemens. (for further information, please click [here](#))

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

## News from our Industrial Business

### Building Technologies

- Revenue growth in Asia, Australia and the Americas
- Margin 11.5%, strong profit contribution in typically robust year-end quarter

#### Siemens bolsters real estate sector through digitalization



At Expo Real in Munich, Siemens featured digital technologies that sustain and grow the medium- and long-term value of real estate under the motto "On the Road to Real Estate Management 4.0." Siemens systems deliver transparent data on energy behavior, occupancy and utilization of real estate. (for further information, please click [here](#))

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

### Mobility

- Strongest revenue growth from the rolling stock businesses
- Margin 8.4%, profitability impacted by a less favorable revenue mix, due to a larger share from the lower-margin rolling stock business

#### ICE 4 for Deutsche Bahn receives approval for Germany



The new ICE from Siemens for Deutsche Bahn (DB) can operate in Germany with immediate effect. The German Federal Railway Authority (EBA) has granted the necessary approval for the 12-car ICE 4, and the train's 14-month introductory phase can now begin. The ICE 4 was approved in a new homologation process in Germany: Beginning with the train's design phase, documentation and test certificates can be issued by recognized testing bodies. (for further information, please click [here](#))

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

### Digital Factory

- Broad-based revenue growth; strongest contributions from the product lifecycle management (PLM) software business, which benefited from the acquisition of CD-adapco, and from the factory automation business; revenue up in all regions, particularly in China
- Margin 18.5%, profit at record high driven by the PLM and factory automation businesses

#### New app for MindSphere enhances availability of machine tools



Siemens offers "Fleet Manager for Machine Tools", a new app for MindSphere, the industrial IoT platform. With this cloud-based application (MindApp), machine tools worldwide at small or large production sites can be monitored, and their availability and productivity enhanced. With little effort, users gain transparency over machine utilization and performance. (for further information, please click [here](#))

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

### Process Industries and Drives

- Revenue decline due mainly to ongoing weakness in oil and gas and other commodity-related markets; continued strong demand for wind power components; revenue declines were most notable in China and Germany
- Margin -3.0%, profit impacted by €199 million in severance charges related to previously announced capacity adjustments to address the ongoing market weakness

#### Siemens wins third electric ferry contract



Siemens will supply propulsion systems for two new battery ferries. The all-electric ferries operated by Fjord1 will ply the E39 Anda-Lote route on the west coast of Norway. Both will have a cargo capacity of 120 cars, twelve trailers and 349 passengers. Operation on the 2.4 kilometer-long route will start in January 2018. With this contract, the first four battery-driven ferries in the world will run on technology developed and manufactured by Siemens. (for further information, please click [here](#))

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

### Healthineers

- Revenue increase included clear growth in the diagnostic imaging business and, on a regional basis, in Asia, Australia
- Margin 18.8%, continued strong earnings performance from the diagnostic imaging business; high profitability overall with continuing expenses for the development of new product platforms

#### Siemens Healthineers Unveils Game-changing Atellica Solution at AACC 2016



Siemens Healthineers unveiled the Atellica™ Solution, a highly flexible immunoassay and clinical chemistry solution featuring patented bi-directional magnetic sample-transport technology that is 10 times faster than conventional conveyors. The unveiling occurred during the 68th AACC Annual Scientific Meeting & Clinical Lab Expo in Philadelphia. (for further information, please click [here](#))

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





## WindEnergy Hamburg 2016

September 25-28, 2016

### Wind turbines for every situation

The one answer to every challenge. Introducing the new Siemens Onshore Direct Drive portfolio – a range of turbines flexible in performance and with the ability to maximize the potential of your site and conditions, including the new SWT-3.15-142, which offers high performance at low wind, the SWT-3.3-130 Low Noise, and the SWT-3.6-130 for the highest yield in its class.



### New flexible service portfolio

As the wind industry matures and diversifies, one-size-fits-all service contracts are no longer attractive, nor appropriate. This is why we have shaped a modularized service portfolio to suit diverse customers' needs. Whatever the project situation, our team can create custom-built service packages that will maximize the return on investment for up to 20 years.



### Efficiently realizing AC transmission

Offshore platform operators seek cost-efficient, eco-friendly, and reliable AC transmission solutions. To meet this need, Siemens has launched the latest innovation for offshore grid access – the Offshore Transformer Module (OTM®) AC technology. The OTM increases AC transmission reliability and economic efficiency, and maximizes the value added for maintainability.



At InnoTrans 2016, Siemens ([Link](#)) presented how digital innovations will make mobility solutions more competitive and attractive.

In the year 2050, about 70% of human beings worldwide will be living in cities. The steadily growing demand for mobility requires even more efficient transportation concepts, which fulfill the expectations of the people, especially in urban centers, with regards to living standard and quality.

Therefore, Siemens delivers integrated and sustainable transportation solutions, in order to employ existing infrastructures more efficiently – not only by using modern hardware, but also with intelligent management systems.

Through the digitalization of proven transport solutions, Siemens is taking mobility to the next level by making mobility services even more efficient and sustainable – today and tomorrow.



## InnoTrans 2016

Berlin, September 20-23, 2016

### Digital Services

Siemens helps engineers to use data supplied by hardware to anticipate malfunctions before actual problems occur and to target maintenance accordingly. The goal is 100% operational availability, which can be achieved through prescriptive maintenance, remote diagnostics, data analytics and optimized spare parts logistics including additive manufacturing.



### Infotainment and assistance technologies

Connectivity is key to keeping passengers safe and comfortable. Siemens offers cutting-edge communication solutions that enable access to the Internet and entertainment, integrate CCTV and travel information, and coordinate intermodal transportation services. This ensures safe, convenient, and seamless journeys through comprehensive information and assistance of passengers, conductors and operators.



### Automated driving



Siemens is the leading partner for all grades of train control systems in mass transit, mainline and freight transportation – from driver assistance systems and automated train operation to fully automated systems. With advanced infrastructure systems as well as onboard and cloud technologies, Siemens ensures maximum throughput, superior punctuality, higher safety, and energy savings.

### Mireo



While Siemens is showcasing a host of new rail vehicle concepts and solutions for mass transit, commuter and mainline services at InnoTrans 2016, the event is used to officially launch a new train generation for sustainable urban and regional mobility services – the Mireo. Being a new benchmark it is a lightweight, energy efficient train that is fully customizable to fit partners' requirements while a fully comprehensive passenger information and infotainment system comes standard.

## Frequently Asked Questions

On October 1, 2016, Siemens has set up a separate unit to foster disruptive ideas more vigorously and to accelerate the development of new technologies. Siemens is pooling its existing startup activities at "next47".

### Why the name "next47"?

The unit's name, "next47" plays on the fact that Siemens was founded in 1847.

### How does "next47" fit into Siemens R&D?

In fiscal 2016, Siemens recorded ~€4.7 billion (5.9% of revenue) in R&D expenses, and that will increase to €5.0 billion in fiscal 2017. "next47" is part of this increase as Siemens intends to fund the unit up to a level of ~€1 billion over the next five years in this new, unique way of innovation management for Siemens.

### What activities does next47 focus on?

"next47" focuses on five fields of innovation: artificial intelligence, autonomous machines, distributed electrification, connected mobility and so-called blockchain applications, which are designed to simplify and increase the security of data transfers in areas such as industrial operations and energy trading.

### Who will be heading the new unit?

Lakshmikanth "Lak" Ananth (43) has been appointed to head "next47", effective November 15, 2016. Ananth joins Siemens from Hewlett Packard Pathfinder (HPE), the venture capital program at Hewlett Packard Enterprise. He was previously responsible, among other things, for business strategy and corporate development at HPE and for the acquisition of early-stage technology companies. Ananth has also worked in the venture capital and corporate development at Cisco.

(for further information about "next47", please click [here](#))

## Financial Calendar

<b>1</b> February 2017		<b>4</b> May 2017		<b>3</b> August 2017	
1st quarter 2017 financial results & AGM		2nd quarter 2017 financial results		3rd quarter 2017 financial results	

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

## We are happy to answer all of your questions

### Investor Relations:

+49 (89) 636 32474

[investorrelations@siemens.com](mailto:investorrelations@siemens.com)

<http://www.siemens.com/investor>



Your Siemens IR Team

### Address:

Siemens AG  
Wittelsbacherplatz 2  
80333 Munich  
Germany

## How does Siemens assess fiscal 2017?

We continue to anticipate headwinds for macroeconomic growth and investment sentiment in our markets due to the complex geopolitical environment.

Therefore, we expect modest growth in revenue, net of effects from currency translation and portfolio transactions. We further anticipate that orders will exceed revenue for a book-to-bill ratio above 1. For our Industrial Business, we expect a profit margin of 10.5% to 11.5%. We expect basic EPS from net income in the range of €6.80 to €7.20, compared to €6.74 in fiscal 2016 which included €0.23 from discontinued operations.

This outlook assumes stabilization in the market environment for our high-margin short-cycle businesses.

It further excludes charges related to legal and regulatory matters as well as potential burdens associated with pending portfolio 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 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.