

**SIEMENS**

*Ingenuity for life*



# Siemens AB Annual Report 2017/2018

Corporate Number 556003-2921

[siemens.se](http://siemens.se)

Translation Only

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# Technology with a Purpose

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# Technology with a Purpose

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Globally, we closed the 2018 fiscal year in a position of strength with record order intake, revenue and margins. In Siemens AB we also enjoyed continued growth and surpassed our ambitious growth target, and we are gratified to see increased demand for our products, solutions and expertise within energy, industry and mobility.

## Business highlights

Sweden's ambition to be a pioneering country in the reduction of carbon emissions and to lead digitalization has tied in well with our own ambitions in these areas. A significant proportion of our growth stems from the digital transformation our customers are undergoing. We have had our best year yet for our industrial digitalization solutions, both when it comes to order intake and new partnerships which aim to explore the endless possibilities presented by our open cloud-based IoT operating system, MindSphere. Strong momentum in the area of transportation and mobility was achieved when we were assigned a major project geared towards improving traffic infrastructure, and we signed several contracts for future-proofing the Swedish grid at national, regional and local levels.

Digitalization contributes to improving existing processes by utilizing the large volumes of available data in new and innovative ways. Through the years we have seen how this improves efficiency and reduces cost, thereby increasing competitiveness. The utilization of data has also resulted in the reinvention of business models, and we are more frequently invited to co-develop solutions with our customers and other suppliers. This kind of co-creation contributes to a more dynamic market and is conducive to creating new possibilities.

This past year saw the launch of our independent venture firm, next47, in the Nordic countries. The purpose of next47's presence in the Nordics is to help local entrepreneurs get access to international markets, a global customer base and incomparable technical experience – bridging the gap between innovation and implementation.

## 125 years of operations in Sweden

Our focus is on the future, but we would not be where we are without our past. This year we celebrate 125 years of operations in Sweden. It is exciting to look back at some of our pioneering achievements, such as the provision of an electrical telegraph for Telegrafverket in 1853, the world's first implantable pacemaker in 1958 and, more recently, the world's first eHighway for heavy transport in 2016. They all mark key technical milestones in the evolution of our modern society.

Company founder Werner von Siemens said: "Ideas alone have little value. The value of an innovation lies in its practical implementation."

We now have 125 years' experience of implementing pioneering technology.

## Finding a true sense of purpose

During his lifetime, our founder Werner von Siemens was driven by a strong ambition to not only pioneer the field of electrical engineering, but also to contribute his services to science and society. His legacy as a technical pioneer and a purpose-driven company leader still permeates our company today and is reflected in how many of our innovative collaborations increase competitiveness and value for our customers. Being part of a purpose-driven company like Siemens at the forefront of technology and sustainability matters more today than ever before, and we know that this is important not only to our current employees but also to professionals, especially young professionals, looking for a meaningful career.

## Relocation to new headquarters

The past year has also seen the joint relocation with four other Siemens offices to our new headquarters in Arenastaden, Solna. Apart from being designed to enable more flexible and agile ways of working and a location easily accessed by public transportation, a decisive factor for the choice of the new office building is the Miljöklass Guld environmental rating. Energy consumption is expected to be reduced by 66 percent compared to our former offices. The new level of energy efficiency is partly due to the utilization of state-of-the-art Siemens building technology.

## Embracing our responsibility

We are committed to thinking and acting in the interest of future generations – balancing people, planet and profit. Our sustainability work conveys a strong sense of purpose in what we do.

Our sustainability work is purpose-driven, and although recognition from the outside world is by no means a requirement, it is a welcome indication of our achievements in this area. Two examples of this during 2018 have been a top industry ranking on the Dow Jones Sustainability Index, and top placement on the list of the Global 100: Most Sustainable Corporations in the World by Corporate Knights.

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## Diversity boosts innovation

Diversity strengthens our innovative capacity and unleashes the potential of Siemens' employees, thereby directly contributing to our business success. Attracting people from different walks of life and from different social and educational backgrounds has been a prioritized task for us during the past year – and will continue to be so.

## Safety first

While working for or with Siemens, people should feel safe. We take care of each other and the people with whom we work, always striving for a Zero Harm Culture – which is also the name of our global programme aimed at reducing incidents and accidents and promoting employee health through education and information.

## Committed to caring for our planet

When it comes to caring for our planet, we are equally committed to help our customers to reduce their carbon footprint as we are to reduce that of our own operations.

Our environmental portfolio comprises products and solutions that are especially energy efficient or have a large contribution to overall CO<sub>2</sub> reduction. So, far these have enabled our customers and partners worldwide during 2018 to reduce their CO<sub>2</sub> emissions by 609 million tonnes, which is about 11 times the annual amount of carbon dioxide emitted in New York City.

In order to take responsibility for the carbon footprint of our own operations, in 2015 we became the first major industrial company to commit to having carbon neutral operations by 2030. The work is ongoing and is made possible by an investment into energy-efficiency measures at our own sites totalling one hundred thousand euros. So far, we have successfully reduced our emissions by approximately 25 per cent. This is reassuring as we are fast approaching the first milestone which is to cut our carbon footprint in half by 2020.

## Sustainability through digitalization

Digitalization is not only a means of coming up with new innovative ideas to solve some of the technical challenges faced by our society today, it is also a key paradigm for shaping a more sustainable future. Distributed electrification, remote service applications and connected mobility solutions are just a few examples of innovative fields where digitalization has contributed – and will continue to contribute – significantly to more sustainable solutions.

We are on a journey towards a sustainable future, and technological solutions – able to have real, sustainable impact on our society – are key enablers in the realization of this. I am looking forward to continuing this journey in 2019.



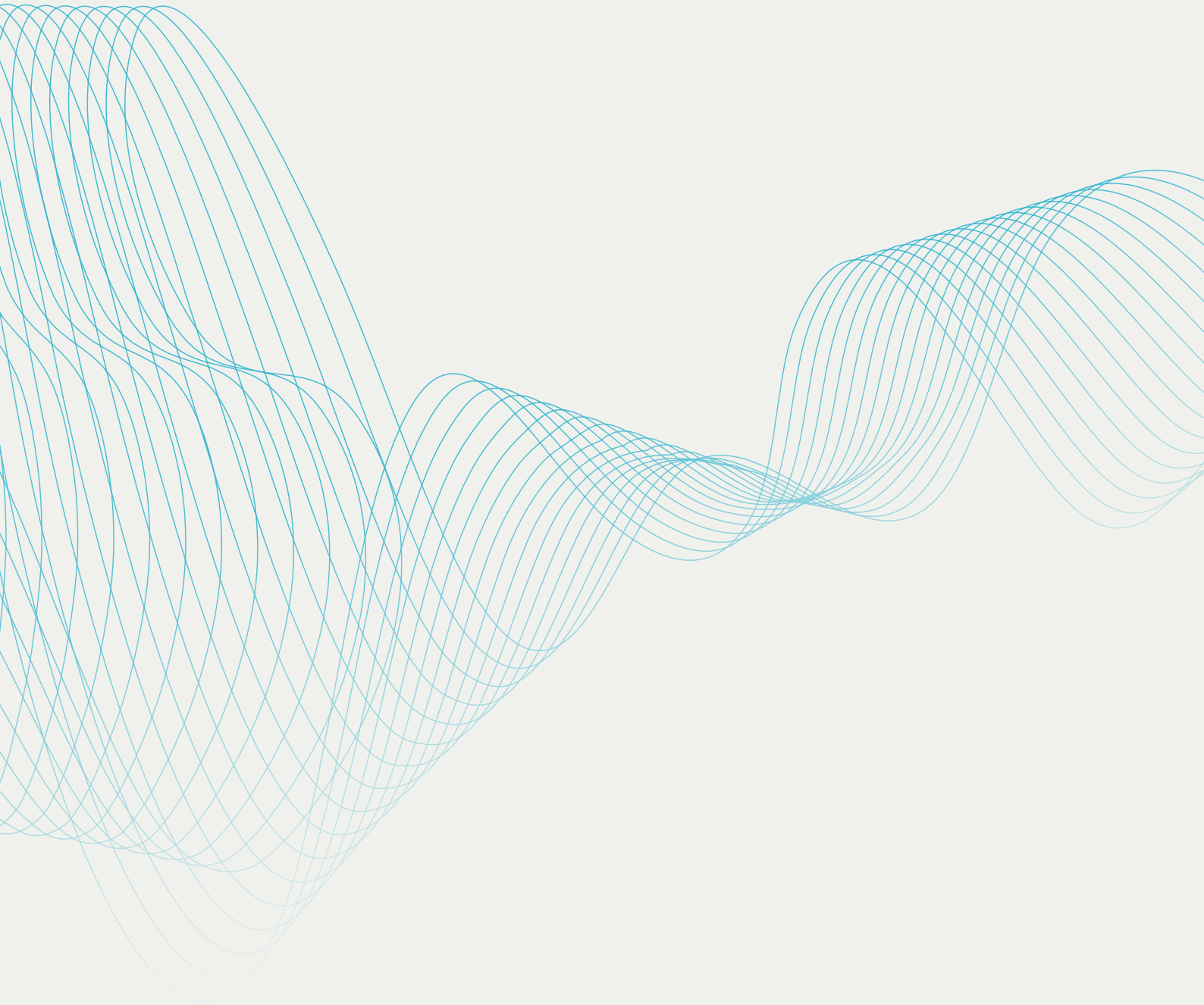
**Ulf Troedsson**

CEO Siemens AB and  
Siemens in the Nordics  
and Baltics



# Annual Report

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# Directors' Report

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The Board of Directors and Chief Executive Officer of Siemens AB hereby present the Annual Report for the financial year 1 October 2017 – 30 September 2018.

Amounts in the Annual Report refer to thousands of Swedish kronor, SEK '000.

## General information on operations, results for the business year and important events since the balance sheet date

Siemens AB decreased its order intake to 3,894.5 (3,983.1) during the financial year 1 October 2017 – 30 September 2018. All divisions made a positive contribution and compensated for the loss of the divisions Mobility and Wind Power & Renewables. Comparable order intake increased with 9.1% from 3,569.1.

Sales decreased to 3,549.2 (3,582.7). The decrease in sales is primarily related to the sale of the divisions Mobility and Wind Power & Renewables. Comparable sales increased with 3.5 % from 3,423.4.

Income was positively impacted in the amount of 799.4 as a result of the sale of shares in Siemens Healthcare AB, Sweden.

## Digital Factory, Process Industries and Drives

The divisions Digital Factory (DF) and Process Industries & Drives (PD) exceeded set targets and previous year both in terms of orders received and sales.

Both divisions' financial performance deteriorated compared with the previous year and did not meet budgeted expectations due to investments in the organization.

Cash flow was adversely affected by high growth and increased capital tied.

## Building Technologies

Building Technologies (BT) could not fully meet expectations and previous year in terms of order received and sales primarily due to the absence of major projects.

The result during the year was adversely affected by the decline in sales, as costs during the year remained stable compared with the previous year.

Cash flow did not reach set targets and previous year due to non-recurring costs from previous years, and low project funding during a phase of low billing.

## Energy Management

Orders received in Energy Management (EM) was positive in comparison with the previous year and budget. Turnover increased slightly compared with the previous year and exceeded the year's target due to ongoing major projects.

The result did not meet expectations due to unplanned costs in some projects and investments in the organization.

Cash flow deteriorated compared to the previous year due to large intra-group deliveries at the end of the business year, because of delays within certain projects.

## Power and Gas

Orders received in Power and Gas (PG) increased compared with the previous year but did not meet set targets. The weak order intake 2017 resulted in lower sales in 2018, although the target was reached.

The result improved compared with the previous year, mainly due to a significantly improved margin.

Cash flow deteriorated slightly compared with the previous year and became slightly negative.

## Ownership structure

Siemens AB is a wholly owned subsidiary of Siemens International Holding B.V., Den Haag, which is, in turn, a wholly owned subsidiary of the international Siemens Group.

## Operational changes

As part of a global restructuring of the Mobility division, Siemens AB divested its Swedish mobility operations to Siemens Mobility AB on 1 June 2018. In total, approximately 32 employees were impacted by the aforementioned restructuring.

The Siemens Group and Alstom have signed a letter of intent to combine the companies' operations in Mobility in order to create a leading player in the global market. The transfer of all operations in Mobility into a separate company is a part of the strategy arising from this decision.



# Directors' Report

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## Outlook

Siemens Sweden has played a leading role for Siemens in the Nordic and Baltic countries over the last four years. The integration and cooperation between these countries will further deepen in the future to strengthen competitiveness, increase market presence and improve the cost situation.

Uncertainty regarding the economic development in the market remains. Sweden is facing domestic pressure, especially in housing investment, and we expect a slowdown in growth.

## Environmental impact

The company is environmentally certified under the ISO 14001 standard.

The company conducts activities which are subject to the Swedish Environmentally Hazardous Activities and Health Protection Ordinance (1998:899).

The company has an active human resources policy which covers equal opportunities and diversity, occupational health, and health and safety. All employees of the company are covered by collective bargaining agreements.

The company has its registered office in Stockholm.

## Sustainability Report

Siemens AB refers to the parent company Siemens AG's sustainability report for the Siemens Group, published at <https://www.siemens.com/global/en/home/company/sustainability.html>. This includes all subsidiaries including Siemens AB.

# Directors' Report

## Multi-year review

(Tkr)	2017/18	2016/17	2015/16	2014/15	2013/14
Net sales	3,549,219	3,582,669	4,985,373	8,012,535	8,797,405
Income after financial items	874,379	219,933	524,384	312,616	298,852
Equity ratio, %	62	43	50	39	35

## Change in shareholders' equity

(Tkr) (608,000 shares with a quotient value of SEK 50.)	Share capital	Statutory reserve	Retained for the year	Net income	Comprehensive
<b>Opening balance, 1 Oct 2017</b>	30,400	6,980	442,287	214,721	694,388
Appropriation of profits according to resolution of AGM:			214,721	-214,721	
Dividend			-215,000		-215,000
Net income for the year				855,430	855,430
<b>Amount at year end</b>	30,400	6,980	442,008	855,430	1,334,818

## Proposed appropriation of profits

The Board of Directors proposes that the available profits (SEK):

retained earnings	442,008,049
net profit for the year	855,429,943
	<b>1,297,437,992</b>
be appropriated as follows	
to be distributed to the shareholders as dividends	855,000,000
to be carried forward	442,437,992
	<b>1,297,437,992</b>

For information regarding the company's performance and financial position in general, please refer to the following income statement, balance sheet, cash flow statement and accompanying notes.

**Income Statement**

Tkr

	<b>Note</b>	<b>2017-10-01 -2018-09-30</b>	<b>2016-10-01 -2017-09-30</b>
Net turnover	1, 2	3 549 219	3 582 669
Costs of goods sold	2	-2 846 115	-2 830 694
		<b>703 104</b>	<b>751 975</b>
Sales expenses		-586 379	-594 272
Administrative expenses	3	-38 825	-35 712
Other operating income	4	4 408	33 516
<b>Operating profit/loss</b>	5, 6, 7	<b>82 308</b>	<b>155 507</b>
<b>Profit/loss from financial items</b>			
Profit/loss from participations in group companies	8	799 354	70 165
Other interest income and similar profit/loss items	9	705	738
Interest expense and similar profit/loss items	10	-7 988	-6 477
		<b>792 071</b>	<b>64 426</b>
<b>Profit/loss after financial items</b>		<b>874 379</b>	<b>219 933</b>
Appropriations	11	0	35 403
<b>Pre-tax profit/loss</b>		<b>874 379</b>	<b>255 336</b>
Tax on profit for the financial year	12	-18 949	-40 615
<b>Net profit/loss for the year</b>		<b>855 430</b>	<b>214 721</b>

<b>Balance Sheet</b>	<b>Note</b>	<b>2018-09-30</b>	<b>2017-09-30</b>
Tkr			
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Intangible fixed assets</i>			
Franchise, patents, licences, trademarks and other similar rights	13	0	0
Goodwill	14	0	0
		<b>0</b>	<b>0</b>
<i>Tangible fixed assets</i>			
Buildings and Land	15	0	0
Leasehold improvements	16	11 114	0
Machinery and other technical facilities	17	2	11 750
Equipment, tools and installations	18	34 885	8 083
Construction in progress and advance payments for tangible assets	19	1 790	26 391
		<b>47 791</b>	<b>46 224</b>
<i>Financial assets</i>			
Participations in group companies	20	0	69 846
Deferred tax assets	21	27 690	30 087
Other long-term receivables	22	71 798	74 219
		<b>99 488</b>	<b>174 152</b>
<b>Total fixed assets</b>		<b>147 279</b>	<b>220 376</b>
<b>Current assets</b>			
<i>Inventories, etc.</i>			
Finished goods and goods for resale		29 506	24 330
Work in progress on behalf of others	23	361 831	228 176
		<b>391 337</b>	<b>252 506</b>
<i>Current receivables</i>			
Accounts receivable		427 085	472 381
Receivables from group companies		1 150 718	646 295
Tax receivables		13 788	10 354
Other receivables		304	318
Deferred expenses and accrued income	24	27 316	22 962
		<b>1 619 211</b>	<b>1 152 310</b>
<i>Cash on hand and in bank</i>	25	1 445	1 246
<b>Total current assets</b>		<b>2 011 993</b>	<b>1 406 062</b>
<b>TOTAL ASSETS</b>		<b>2 159 272</b>	<b>1 626 438</b>

<b>Balance Sheet</b>	<b>Note</b>	<b>2018-09-30</b>	<b>2017-09-30</b>
Tkr			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	26, 27		
<i>Restricted reserves</i>			
Share capital		30 400	30 400
Statutory reserve		6 980	6 980
		<b>37 380</b>	<b>37 380</b>
<i>Non-restricted equity</i>			
Retained earnings or losses		442 008	442 287
Profit/loss for the year		855 430	214 721
		<b>1 297 438</b>	<b>657 008</b>
<b>Total equity</b>		<b>1 334 818</b>	<b>694 388</b>
<b>Provisions</b>	28		
Provisions for pensions and similar commitments		71 798	74 069
Other provisions		67 923	85 349
<b>Total provisions</b>		<b>139 721</b>	<b>159 418</b>
<b>Current liabilities</b>			
Advance payments from customers		113 779	131 129
Accounts payable		119 872	159 332
Liabilities to group companies		14 488	34 746
Other liabilities	29	78 976	74 218
Accrued expenses and deferred income	30	357 618	373 207
<b>Total current liabilities</b>		<b>684 733</b>	<b>772 632</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2 159 272</b>	<b>1 626 438</b>

**Cash Flow Analysis**

Tkr

	Note	2017-10-01 -2018-09-30	2016-10-01 -2017-09-30
<b>Current activities</b>			
Profit after financial items		874 380	219 933
Adjustments for items not included in the cash flow	31	-728 023	-78 093
Tax paid		-19 986	-123 909
<b>Cash flow from operating activities before change in working capital</b>		<b>126 371</b>	<b>17 931</b>
<b>Cash flow from change in the working capital</b>			
Change in inventories and ongoing works		-162 438	69 140
Change in current receivables		-3 203	-53 125
Change in current liabilities		-65 432	-36 122
<b>Cash flow from operating activities</b>		<b>-104 702</b>	<b>-2 176</b>
<b>Investment activities</b>			
Investment in financial assets		2 421	49 937
Investments in tangible fixed assets		-24 886	-31 005
Sale of tangible fixed assets	32	0	72 000
Sale of shares in group companies	20	869 200	305 093
Change of deposit to group		-526 834	296 193
<b>Cash flow from investment activities</b>		<b>319 901</b>	<b>692 218</b>
<b>Financing activities</b>			
Dividends paid		-215 000	-702 600
<b>Annual cash flow</b>		<b>199</b>	<b>-12 558</b>
<b>Liquid assets, opening balance</b>		<b>1 246</b>	<b>13 804</b>
<b>Liquid assets, closing balance</b>		<b>1 445</b>	<b>1 246</b>

## Notes

Tkr

### Accounting and Valuation Principles

The annual report is drawn up in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 Annual Reporting and consolidated reports (K3).

#### Valuation principles

Other assets and liabilities have been posted at their acquisition values unless otherwise stated.

Revenue is recognized according to the general recommendations of the Accounting Board. In product business revenue has been recognized when the risks and benefits connected to the ownership of the products have been transferred to the purchaser. Services on current account have been accounted for continuously during the time of the contract, while services at fixed price have been accounted for when the main part of the assignment has been finished. For service contracts revenue has been recognized in a straight line during the time of the contract.

#### Fixed assets

Intangible and tangible fixed assets are posted at the acquisition value less accumulated depreciation and any write-downs.

#### Intangible fixed assets

##### *R&D expenses*

Research expenses necessary for obtaining new scientific or technical knowledge are reported as costs upon arising. Expenses for development, where research results or other knowledge is applied in order to produce new or improved products or processes, are reported on the asset side in the balance sheet, if the product or process is technically and commercially useful and the company has resources enough to fulfil development and then use or sell the intangible asset.

#### Depreciation principles for fixed assets

Depreciation according to plan is based on the original acquisition values less the estimated residual value. Write-off is carried out over the usage time of the asset (year).

#### Financial instruments

All financial instruments are recognized at fair value.

#### Leasing Agreements

The company reports all leases, as well as operational, financial and operating leases. Operating leases are reported as an expense on a straight-line basis over the lease term.

#### Inventories

The inventories are valued at the lower of acquisition cost and net realisable value on the balance sheet date. The net realisable value refers to the calculated sales price of the products less selling costs. The selected valuation method means that the inventory obsolescence has been taken into consideration.

#### Cash and cash equivalents

Cash and cash equivalents include cash, immediately available bank balances and other money market instruments with original maturities of three months or less. Items that have fixed interest rate are measured at amortized value.

## **Receivables**

Receivables have been listed at the amount they are expected to accrue.

## **Receivables and payables in foreign currency**

The translation of receivables and payables in foreign currencies has been carried out at the closing day rate with the exception of received or given advances, which are accounted for at the exchange rate on the payment date. To the extent that receivables and liabilities in foreign currencies have been hedged, these are translated to the forward rate. Exchange rate fluctuations are disclosed in the income statement.

## **Income Taxes**

Total tax consists of current tax and deferred tax. Taxes are reported in the income statement, except when the underlying transaction is reported directly in equity, whereby the associated tax effects are reported in equity.

## **Provisions**

Liabilities to third parties which are related to the current or the previous financial year, and which are certain or probable on the balance sheet date, but their amount or payment deadline is uncertain, are recognised as provisions.

## **Warranty provision**

A provision is reported when the underlying product or service has been sold.

## **Reserve for loss contracts**

A provision for loss contracts is reported when the financial benefits, which the group expects to receive from a contract, are lower than the inevitable costs for realization of contractual commitments.

## **Restructuring reserve**

A provision is recognized when a detailed restructuring plan has been approved and the restructuring has either commenced or been announced publicly.

## **Employee Remuneration**

### *Pensions*

The company has defined benefit pension obligations which are dependent on the value of the companies owned endowment insurance. The endowment insurances are accounted as financial assets. According to BRNAR 2012:1 the pension obligations are accounted as provisions, with the same value as the endowment insurance's present value.



### **Group information**

The company is a wholly owned subsidiary of Siemens International Holding B.V. (kvk 27 044420), Den Haag. Siemens International Holding B.V., Den Haag, is a member of a group in which Siemens AG, Berlin and Munich, establishes consolidated accounts for the largest group.

Consolidated accounts of the foreign parent company may be obtained from Siemens AB, Box 4044, 169 04 Solna.

Out of the total purchases and sales of the company expressed in SEK, 59.8 % (58.8 %) of purchases and 7.2 % (11.1 %) of sales relate to other companies within the entire group of companies to which the company belongs.

### **Sustainability report**

Siemens AB refers to the parent company Siemens AG's sustainability report for the Siemens Group, published at <https://www.siemens.com/global/en/home/company/sustainability>. This includes all subsidiaries including Siemens AB.

**Note 1 Net Turnover Distribution**

	<b>2017-10-01</b>	<b>2016-10-01</b>
	<b>-2018-09-30</b>	<b>-2017-09-30</b>
<b>Net turnover per line of business</b>		
Digital Factory (DF)	643 204	578 073
Process Industries and Drives (PD)	665 808	628 819
Building Technologies (BT)	1 344 352	1 373 762
Mobility (MO)	143 752	149 171
Energy Management (EM)	702 131	664 324
Power and Gas (PG)	16 665	38 736
Windpower and Renewables (WP)	0	119 192
Other business area	33 307	30 592
	<b>3 549 219</b>	<b>3 582 669</b>

**Net turnover per geographic market**

Sweden	3 487 732	3 473 391
Finland	11 126	31 997
Germany	11 289	1 982
Denmark	4 085	44 329
Norway	9 878	7 439
Iceland	15 296	17 151
Poland	1 607	639
UK	0	1
Switzerland	341	144
France	0	38
Other countries	2 558	1 551
	16	16
	4 202	2 353
	1 089	1 638
	<b>3 549 219</b>	<b>3 582 669</b>

**Note 2 Information on financial instruments**

According to the company's finance policy, forecasted purchase or sales in foreign currency shall during the next four months be secured to at least 75 %. For product business the contracted purchase or sale in foreign currency shall be secured to 100 % in a minimum of three months, while asset businesses are secured to 100 % during lease. Hedges are done through currency futures. Per balance sheet date, 75 % of forecast sales and purchases in euro were hedged to for the period October 2018 to January 2019. The fair value of outstanding forward contracts amounted at balance sheet date to 0.1 (0.7).

**Note 3 Remuneration to Auditors**

Audit assignment refers to inspection of the annual report and the accounting as well as the reports of the Board of Directors and the CEO, other tasks fulfilled by the company auditor as well as counselling or other assistance deriving from observations made in the course of the inspection or fulfilment of such other tasks.

	<b>2017-10-01</b> <b>-2018-09-30</b>	<b>2016-10-01</b> <b>-2017-09-30</b>
<b>Ernst&amp;Young</b>		
Audit engagement	1 665	1 731
	<b>1 665</b>	<b>1 731</b>

**Note 4 Other operating income**

	<b>2017-10-01</b> <b>-2018-09-30</b>	<b>2016-10-01</b> <b>-2017-09-30</b>
Sale of property Balltorp Mölndal, Gothenburg	0	33 516
Sale of business unit	4 408	0
	<b>4 408</b>	<b>33 516</b>

Current year sale of division Mobility.

Previous year sale of property Balltorp Mölndal, Gothenburg.

**Note 5 Leasing Agreement**

The paid leasing fees for the year in respect of lease agreements amount to SEK 74 059 (61 023).

Future leasing fees, as regards non-terminable leasing agreements, the following mature:

	<b>2017-10-01</b> <b>-2018-09-30</b>	<b>2016-10-01</b> <b>-2017-09-30</b>
Within 1 year	70 576	71 265
Later than one year, but within five years	163 562	176 417
Later than 5 years	159 767	189 106
	<b>393 905</b>	<b>436 788</b>

**Note 6 Employees and Personnel Costs distributed per Country**

		<b>2017-10-01</b>		<b>2016-10-01</b>
		<b>-2018-09-30</b>		<b>-2017-09-30</b>
<b>Average number of employees distributed per country</b>				
Sweden	1 090	(222)	1 152	(244)
	<b>1 090</b>	<b>(222)</b>	<b>1 152</b>	<b>(244)</b>

The average number of women is indicated in parenthesis.

**Salaries and other remunerations**

Board of Directors and Managing Director	5 125	5 406
Other employees	650 496	700 983
	<b>655 621</b>	<b>706 389</b>

Of which bonuses to the Board of Directors and Managing Director	2 232	2 481
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**Social security expenses**

Social security expenses	223 480	222 323
Pension costs	145 819	135 909
	<b>369 299</b>	<b>358 232</b>

Of the company's pension costs, 4 084 (3 943) refers to the Board and the CEO.

Salaries and remuneration refers to personnel in Sweden. Parts of the management in Siemens AB are covered by an inscription program, including the right to acquire shares in Siemens AG, in addition to the salaries and remuneration stated, the CEO and other employees have exercised the right to acquire shares or options in Siemens AG's share program with a total of 5 782 (9 438) of which CEO 801 (1 316).

**Sex distribution among leading clerks**

Number of women on the board	20 %	0 %
Number of men on the board	80 %	100 %

**Agreement on severance pay**

Siemens AB's CEO, Ulf Troedsson, is entitled to retirement at the age of 60. Employment contracts for the CEO also include a notice period of up to 12 months and severance pay of 12 monthly wages.

**Note 7 Depreciation of tangible and intangible assets**

	<b>2017-10-01</b>	<b>2016-10-01</b>
	<b>-2018-09-30</b>	<b>-2017-09-30</b>
<b>Depreciation according to plan distributed on assets</b>		
Buildings and land	0	241
Leasehold improvements	1 122	0
Machinery and other technical installations	11 555	17 147
Equipment, tools and installations	10 833	3 320
	<b>23 510</b>	<b>20 708</b>
<b>Depreciation according to plan distributed on functions</b>		
Cost of goods sold	21 387	20 590
Selling expenses	103	33
Administrative expenses	2 020	85
	<b>23 510</b>	<b>20 708</b>

**Note 8 Profit from Participation in Group Companies**

	<b>2017-10-01</b>	<b>2016-10-01</b>
	<b>-2018-09-30</b>	<b>-2017-09-30</b>
Profit from divestment	799 354	70 165
	<b>799 354</b>	<b>70 165</b>

Current year sale of shares in Siemens Healthcare AB, Sweden.  
 Previous year sale of shares in Siemens Healthcare Oy, Finland.

**Note 9 Other Interest Income and Similar Profit/Loss Items**

	<b>2017-10-01</b>	<b>2016-10-01</b>
	<b>-2018-09-30</b>	<b>-2017-09-30</b>
Interest revenues from Group companies	31	37
Other interest income	674	701
	<b>705</b>	<b>738</b>

**Note 10 Other interest income and similar profit/loss items**

	<b>2017-10-01</b>	<b>2016-10-01</b>
	<b>-2018-09-30</b>	<b>-2017-09-30</b>
Interest expenses to group companies	-7 820	-6 222
Other interest expenses	-168	-255
	<b>-7 988</b>	<b>-6 477</b>

**Note 11 Appropriations**

	2017-10-01 -2018-09-30	2016-10-01 -2017-09-30
Amortization over plan	0	35 403
	<b>0</b>	<b>35 403</b>

The depreciation in excess of plan previous year refers to reversal of depreciation relating to the sold property Balltorp Mölndal in Gothenburg.

**Note 12 Tax on this year's income**

	2017-10-01 -2018-09-30	2016-10-01 -2017-09-30
Current tax expense	-16 553	-39 301
Deferred tax related to temporary differences	-2 396	-1 314
	<b>-18 949</b>	<b>-40 615</b>

Total reported effective tax 2.17 % (15.91 %).

Reconciliation effective tax

Tax according to current tax rate	-192 363	-56 174
Non-deductible costs	-1 794	-979
Non-taxable income	175 859	15 453
Tax attributable to previous years	-320	1 153
Revaluation deferred taxes due to new tax rate	-331	0
Others	0	-68
	<b>-18 949</b>	<b>-40 615</b>

**Note 13 Concessions, patents, trademarks and similar rights**

	2018-09-30	2017-09-30
Acquisition value, opening balance	324	324
Sales/discards	-324	
<b>Accumulated acquisition value, closing balance</b>	<b>0</b>	<b>324</b>
Depreciation, opening balance	0	0
<b>Accumulated depreciation, closing balance</b>	<b>0</b>	<b>0</b>
Write-down losses, opening balance	-324	-324
Sales/discards	324	
<b>Accumulated write-down losses, closing balance</b>	<b>0</b>	<b>-324</b>
<b>Book value, closing balance</b>	<b>0</b>	<b>0</b>

**Note 14 Goodwill**

	<b>2018-09-30</b>	<b>2017-09-30</b>
Acquisition value, opening balance	369 927	369 927
<b>Accumulated acquisition value, closing balance</b>	<b>369 927</b>	<b>369 927</b>
Depreciation, opening balance	-341 868	-341 868
<b>Accumulated depreciation, closing balance</b>	<b>-341 868</b>	<b>-341 868</b>
Write-down losses, opening balance	-28 059	-28 059
<b>Accumulated write-down losses, closing balance</b>	<b>-28 059</b>	<b>-28 059</b>
<b>Book value, closing balance</b>	<b>0</b>	<b>0</b>

**Note 15 Buildings and Land**

	<b>2018-09-30</b>	<b>2017-09-30</b>
Acquisition value, opening balance	0	84 120
Sales/discards	0	-84 120
<b>Accumulated acquisition value, closing balance</b>	<b>0</b>	<b>0</b>
Depreciation, opening balance	0	-36 548
Sales/discards	0	36 789
Depreciation for the year		-241
<b>Accumulated depreciation, closing balance</b>	<b>0</b>	<b>0</b>
Write-down losses, opening balance	0	-13 602
Sales/discards	0	13 602
<b>Accumulated write-down losses, closing balance</b>	<b>0</b>	<b>0</b>
<b>Book value, closing balance</b>	<b>0</b>	<b>0</b>

**Note 16 Leasehold improvements**

	<b>2018-09-30</b>	<b>2017-09-30</b>
Acquisition value, opening balance	0	0
Sales/discards		0
Reclassifications	12 235	0
<b>Accumulated acquisition value, closing balance</b>	<b>12 235</b>	<b>0</b>
Depreciation, opening balance	0	0
Depreciation for the year	-1 121	0
<b>Accumulated depreciation, closing balance</b>	<b>-1 121</b>	<b>0</b>
<b>Book value, closing balance</b>	<b>11 114</b>	<b>0</b>

**Note 17 Machinery and Other Technical Installations**

	<b>2018-09-30</b>	<b>2017-09-30</b>
Acquisition value, opening balance	40 363	40 579
Purchasing	0	1 513
Sales/discards	-34 940	-1 729
<b>Accumulated acquisition value, closing balance</b>	<b>5 423</b>	<b>40 363</b>
Depreciation, opening balance	-28 613	-12 064
Sales/discards	34 747	598
Depreciation for the year	-11 555	-17 147
<b>Accumulated depreciation, closing balance</b>	<b>-5 421</b>	<b>-28 613</b>
<b>Book value, closing balance</b>	<b>2</b>	<b>11 750</b>

**Note 18 Equipment, Tools and Installations**

	<b>2018-09-30</b>	<b>2017-09-30</b>
Acquisition value, opening balance	23 777	23 731
Purchasing	27 151	3 702
Sales/discards	-7 684	-3 656
Reclassifications	10 488	0
<b>Accumulated acquisition value, closing balance</b>	<b>53 732</b>	<b>23 777</b>
Depreciation, opening balance	-15 694	-15 905
Sales/discards	7 680	3 530
Depreciation for the year	-10 833	-3 319
<b>Accumulated depreciation, closing balance</b>	<b>-18 847</b>	<b>-15 694</b>
<b>Book value, closing balance</b>	<b>34 885</b>	<b>8 083</b>

**Note 19 Construction in Progress and Advance Payments for Tangible Assets**

	<b>2018-09-30</b>	<b>2017-09-30</b>
Acquisition value, opening balance	26 391	601
Purchasing	1 790	25 790
Reclassifications	-22 722	0
Sales/discards	-3 669	0
	<b>1 790</b>	<b>26 391</b>

Refers to work done at Siemens' new headquarters at Arenastaden, Solna.



**Note 20 Participation in Group companies**

Shares in Siemens Healthcare AB 100 % (2 000 à nom 100 SEK) 556157-2636.

	<b>2018-09-30</b>	<b>2017-09-30</b>
Acquisition value, opening balance	69 846	304 774
Sales/discards	-69 846	-234 928
<b>Accumulated acquisition value, closing balance</b>	<b>0</b>	<b>69 846</b>
<b>Book value, closing balance</b>	<b>0</b>	<b>69 846</b>

During the year, all shares in Siemens Healthcare AB were divested. Last year, all shares in Siemens Healthcare Oy were divested.

**Note 21 Deferred income tax**

	<b>2018-09-30</b>	<b>2017-09-30</b>
Improvements cost made on not owned buildings	111	0
Accounts receivable	1 451	533
Pension provisions	20 084	21 009
Other provisions	6 044	8 545
Others		0
<b>Net deferred taxes</b>	<b>27 690</b>	<b>30 087</b>

**Note 22 Other long-term receivables**

	<b>2018-09-30</b>	<b>2017-09-30</b>
Pension i capital insurance	71 798	74 069
Other accounts receivable	0	150
<b>Accumulated acquisition value, closing balance</b>	<b>71 798</b>	<b>74 219</b>
<b>Book value, closing balance</b>	<b>71 798</b>	<b>74 219</b>

Fair value of capital insurance 74 348 (76 851).

**Note 23 Ongoing Work on Contract**

	<b>2018-09-30</b>	<b>2017-09-30</b>
Expenses incurred	361 831	228 176
	<b>361 831</b>	<b>228 176</b>

**Note 24 Deferred expenses and Accrued Income**

	<b>2018-09-30</b>	<b>2017-09-30</b>
Prepaid rents	15 390	16 235
Prepaid pensions	2 349	2 349
Others prepaid items	997	1 120
Other items	8 580	3 258
	<b>27 316</b>	<b>22 962</b>

**Note 25 Liquid Assets**

	<b>2018-09-30</b>	<b>2017-09-30</b>
<b>Liquid assets</b>		
Cash balances	1 445	1 246
	<b>1 445</b>	<b>1 246</b>

**Note 26 Number of shares and the ratio value**

The number of shares amounts to 608 000 shares with a quota value of SEK 50 per share. Compared with previous year no change has occurred.

**Note 27 Appropriation of profit or loss**

	<b>2018-09-30</b>
<b>Proposals for profit allocation</b>	
The Board of Directors recommends that the profit/loss and brought forward profits available for disposition:	
profit carried forward	442 008
profit for the year	855 430
	<b>1 297 438</b>
be distributed so that they are:	
distributed to shareholders	855 000
carried over	442 438
	<b>1 297 438</b>

**Note 28 Provisions**

	<b>2018-09-30</b>	<b>2017-09-30</b>
<b>Pensions and similar obligations</b>		
For the benefit of pension, safeguarded in capital insurance	71 798	74 069
	<b>71 798</b>	<b>74 069</b>
<b>Other provisions</b>		
Warranties	43 129	52 744
Project related risk of loss	13 841	11 224
Others	10 953	21 471
	<b>67 923</b>	<b>85 439</b>

**Note 29 Other receivables**

	<b>2018-09-30</b>	<b>2017-09-30</b>
Value-added tax	41 236	31 637
Other items	37 740	42 581
	<b>78 976</b>	<b>74 218</b>

**Note 30 Accrued expenses and deferred income**

	<b>2018-09-30</b>	<b>2017-09-30</b>
Vacation and other vacation due	115 101	122 647
Other salary liabilities	77 916	84 181
Security contribution etc	55 532	53 008
Deferred service income	87 783	79 773
Other deferred income	0	3 303
Other accruals	21 286	30 296
	<b>357 618</b>	<b>373 208</b>

**Note 31 Adjustments for Items not Included in the Cash Flow**

	<b>2018-09-30</b>	<b>2017-09-30</b>
Depreciation	23 510	20 708
Write down / write up	4 280	-5 807
Unrealized exchange rate differences	1 843	-1 238
Result upon sales of fixed assets	-193	-33 516
Result upon sales of shares in subsidiary	-799 354	-70 165
Result upon sales of business segment	-4 408	0
Other provisions	46 299	11 925
	<b>-728 023</b>	<b>-78 093</b>

**Note 32 Sale of tangible fixed assets**

Previous year sale of tangible fixed assets refers to the sale of property Balltorp Mölndal, Gothenburg.

	<b>2018-09-30</b>	<b>2017-09-30</b>
Sales of property, plant and equipment	0	72 000
	<b>0</b>	<b>72 000</b>

Solna 12 December 2018

Klaus Helmrich  
Chairman

Maria Ferraro  
Board member

Mats Hultgren  
Employee representative

Jan Åkesson  
Employee representative

Eva Eliopoulos  
Employee representative

Ulf Troedsson  
Managing Director

Matthias Grossmann  
Board member

Our auditor's report was submitted 12 December 2018

Ernst & Young AB

Erik Sandström  
Authorized Public Accountant

## Auditor's report

To the general meeting of the shareholders of Siemens AB, corporate identity number 556003-2921

### Report on the annual accounts

#### Opinions

We have audited the annual accounts of Siemens AB for the financial year 2017-10-01–2018-09-30. The annual accounts are included on pages 8-29

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Siemens AB as of 30 September 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

#### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of Siemens AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

## Report on other legal and regulatory requirements

### Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Siemens AB for the financial year 2017-10-01–2018-09-30 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of Siemens AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, We exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm 12 December 2018

Ernst & Young AB

Erik Sandström  
Authorized Public Accountant



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