

Annual Report

the financial year 1. October 2015 - 30. September 2016

The Board of directors and the Chief Executive Officer for Siemens Industrial Turbomachinery AB hereby present the Annual Report.

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Registered office: Finspång

The company's account currency: Swedish kronor (SEK).

All amounts are in KSEK unless otherwise is specified

Board of Directors' report

Information about the activities

The company is a wholly-owned subsidiary company of Siemens International Holding B.V., the Netherlands, which is part of a group whose parent company is Siemens AG, Germany.

The company develops, supplies, and maintains reliable, effective, and eco-friendly plants for electric and power generation and for mechanical operation, based on gas- and steam turbine technology. During this year the activities have been carried on at Finspång and Trollhättan.

Significant events during the financial year and after its expiry

The company has during the past five years had a stable turnover and profitability except for one-off effects. This year's order intake keeps the company's order book at a continued high level. The demand for the company's products has remained stable over the past year and creates stability in the short term and growth opportunities over the medium term. The major causes of concern to this growth are low oil prices, financial turmoil driven by imbalances in major economies' government finances and political trade restrictions.

No significant events after the end of the financial year are known.

Expected future development, and risks and factors of uncertainty

The demand for electricity is driven by the global population growth and economic growth, particularly in developing countries. A relatively steady annual increase in demand for electricity with a growing focus on more environmentally efficient production and distribution methods are also enhanced by increased global urbanization and the demand for infrastructure improvements to support the various countries' long-term economic growth. The oil and gas market is governed by the supply of oil decreasing with emptying of existing sources, and that new deposits will be more and more difficult to approach. Common for the electric generating market and the the oil market is that both markets will generate new technological issues and create possibilities for the suppliers to claim their position on the market.

Even this year the market was characterized by structural changes through acquisitions and mergers by known actors.

Risks and uncertain factors

There are several factors, creating risks and uncertainties about the company's markets and current deliveries:

- The development of the global demand after the financial crisis
- Political uncertainties in some parts of the World resulting in probable embargos
- The development of oil and gas prices
- Uncertainty of subventions in some countries
- The access to financial solutions
- The exchange rate development
- The commodity price development

The company manages its risks by means of a group-wide tool within Project Management.

Financial risks

The company is exposed to various types of financial risks. The primary exposure concerns purchases and sales in foreign currencies, where the risk partly consists of currency fluctuations on customer or supplier invoices, and also currency risks in expected or contracted payment flows.

The company's currency policy for managing currency risks has been produced by the board and builds a framework of guidelines and rules in the form of risk mandates and limits. The company's currency transactions and currency exchange exposure are centrally administered by the company's finance department.

Significant currency exposures are secured in their entirety when they may be related to monetary assets and liabilities, and contracted sales or other binding commitments denominated in foreign currency. According to the company's policy, standardized currency terms and swaps may be used as securing instruments.

Research and development

Intangible rights

The intangible rights for the technology used in the company belong to a sister company in Germany. Agreements to use these rights are made with the sister company. The agreement has led to the company's result being charged with a cost of 704 092 KSEK (622 624 KSEK).

There is an agreement with this sister company about compensation for the rights to part of the technology that is developed continually in the company. The compensation is based on the expenses for research and development. Compensation for costs incurred during the financial year amounted to 564 916 KSEK (447 142 KSEK). The compensation is accounted for under other operating income.

Environmental information

SIT AB runs a business that requires permits, according to the Environmental Legislation. Existing decision is dated May 2, 2012 and November 21, 2014 (the final terms for noise) and will continue to apply until the conditions in the environmental permit are changed.

The decision has been given by The County Administrative Board of Östergötland County. The decision includes a number of conditions that are followed up by an inspection program. The conditions mainly concern emissions to the atmosphere and water as well as noise, and the handling of chemicals and waste. The company is also covered by the Seveso legislation, lower tier.

The site is certified by Det Norske Veritas (DNV) according to the standards ISO 9001 (Quality), ISO 14001 (External Environment) and OHSAS 18001 (Working Environment). During 2017 ISO 50001 (energy) will be implemented.

Result and status	2015/16	2014/15	2012/13	2011/12
Order intake (MSEK)	11 910	11 693	10 782	13 559
Turnover (MSEK)	9 761	10 345	9 664	10 094
Result before financial items (MSEK)	1 156	1 656	1 594	1 856
Balance sheet total (MSEK)	9 296	10 218	10 657	11 176
Equity ratio (%)	37,0%	37,3%	33,0%	38,1%
Number of employees	2 554	2 597	2 662	2 739

Proposal for disposal of the company's profit

The board proposes that the profit is disposed of as follows (SEK):

Unrestricted equity

Retained profit	1 580 323 680
Result of the year	887 790 427
Total	<u>2 468 114 107</u>

Profit disposal

Dividend	887 790 427
Off-set in the new account	1 580 323 680
	<u>2 468 114 107</u>

Income statement

		2015-10-01	2014-10-01
	Note	-2016-09-30	-2015-09-30
	1		
Net sales	2	9 761 076	10 345 403
Change of products in progress, finished goods and work in progress on the behalf of somebody else		44 314	179 801
Other operating income	3	969 259	774 426
		10 774 649	11 299 630
<i>Operating costs</i>			
Raw materials and consumables		-4 205 479	-4 101 563
Other external costs	4,5	-2 983 822	-2 914 244
Personnel costs	6	-2 196 703	-2 129 742
Depreciations and write-downs for material and intangible fixed assets		-198 107	-202 255
Other operating costs		-34 995	-295 391
		-9 619 106	-9 643 195
Operating earnings	7	1 155 543	1 656 435
<i>Results from financial items</i>			
Interest income and similar items	8	6 053	2 128
Interest costs and similar items	9	-18 169	-1 882
		-12 116	246
Income after financial items		1 143 427	1 656 681
Appropriations	10	-6 000	-19 000
Income before tax		1 137 427	1 637 681
Tax on the earnings of the year	11	-249 637	-373 906
Net income for the year		887 790	1 263 775

Balance sheet	Note	2016-09-30	2015-09-30
ASSETS	1,32		
Fixed assets			
<i>Intangible assets</i>			
Capitalised expenditure for computer software	12	0	1 803
Licenses	13	6 749	0
		6 749	1 803
<i>Tangible fixed assets</i>			
Land and buildings	14	480 258	504 977
Machinery and other technical equipment	15	531 507	504 811
Equipment, tools and installations	16	126 639	146 702
Construction in progress	17	149 022	138 746
		1 287 426	1 295 236
<i>Financial fixed assets</i>			
Shares in group companies	18	115 741	115 741
Shares in associated companies	19	50	50
Other long-term financial investments	20	5 288	3 458
Deferred tax	21	7 226	13 197
		128 305	132 446
Total fixed assets		1 422 480	1 429 485
Current assets			
<i>Inventories etc.</i>			
Raw materials and consumables		1 362 417	1 134 071
Goods being manufactured		1 776 331	1 732 017
Advances to suppliers		7 734	21 483
		3 146 482	2 887 571
<i>Current receivables</i>			
Trade account receivables		550 425	842 624
Receivables from group companies		288 289	586 312
Financial receivables in group companies		2 320 438	2 741 509
Derivative assets	22	205 006	270 935
Other receivables		228 341	225 522
Accrued income not yet invoiced	23	1 125 930	1 229 212
Prepaid expenses and accrued income		8 706	4 132
		4 727 135	5 900 246
<i>Cash in hand and at bank</i>		303	302
Total current assets		7 873 920	8 788 119
TOTAL ASSETS		9 296 400	10 217 604

Balance sheet

	Note	2016-09-30	2015-09-30
EQUITY AND LIABILITIES	1,32		
Shareholders' equity	24		
<i>Restricted equity</i>			
Share capital (300,000 shares, quoted value 100 SEK/each)		30 000	30 000
Restricted reserves		269 100	269 100
		299 100	299 100
<i>Non-restricted equity</i>			
Retained earnings		1 580 324	1 579 682
Profit for the year		887 790	1 263 775
		2 468 114	2 843 457
Total Shareholders' equity		2 767 214	3 142 557
Untaxed reserves	25	861 000	855 000
Provisions	26		
Provisions for other pensions and special payroll tax		6 571	4 189
Other provisions		336 764	378 554
		343 335	382 743
Long-term liabilities			
Liabilities to group companies		7 651	486
Other liabilities		9 972	8 395
		17 623	8 881
Current liabilities			
Advances from customers		1 368 015	1 756 442
Trade account payables		668 643	748 245
Liabilities to group companies		56 339	34 268
Tax liabilities		9 123	73 445
Derivative liabilities	27	167 780	192 597
Other liabilities		327 229	408 000
Invoiced but not accrued income	28	1 639 728	1 556 229
Accrued expenses and deferred income	29	1 070 371	1 059 197
		5 307 228	5 828 423
TOTAL EQUITY AND LIABILITIES		9 296 400	10 217 604
MEMORANDUM ITEMS			
Pledged assets		None	None
Contingent liabilities	30	None	None

Cash Flow Statement

	Note	2015-10-01 -2016-09-30	2014-10-01 -2015-09-30
Operating activities			
Income after financial items		1 143 427	1 656 681
Adjustments for items, not included in cash flow, etc.			
Depreciation and amortization		198 107	202 255
Gains and losses on disposals of fixed assets		570	4 037
Other adjustments to cash		-139 670	-8 615
		1 202 434	1 854 358
Income tax paid		-308 658	-361 755
Cash flow from operating activities prior to changes in working capital		893 776	1 492 603
<i>Cash flow from changes in operating capital</i>			
Increase(-)/Reduction(+) of inventories		-258 911	-315 728
Increase(-)/Reduction(+) of operating receivables		852 972	-467 490
Increase(+)/Reduction(-) of operating liabilities		-454 654	-973 883
Cash flow from operating activities		1 033 183	-264 498
<i>Investing activities</i>			
Acquisition of shares in subsidiaries	18	0	-110 695
Acquisition of intangible assets		-6 639	-1 188
Acquisition of tangible assets		-189 695	-186 626
Disposals of tangible assets		521	517
Acquisition of financial assets		-1 830	-164
Cash flow from investing activities		-197 643	-298 156
<i>Financing activities</i>			
Long-term debt group companies		7 165	151
Dividend paid		-1 263 775	-996 629
Cash flow from financing activities		-1 256 610	-996 478
Cash flow for the year		-421 070	-1 559 132
Cash and cash equivalents at the beginning of the year		2 741 811	4 300 943
Cash and cash equivalents at the end of the year		2 320 741	2 741 811

Supplementary disclosures for the Cash Flow Statement

	2015-10-01 -2016-09-30	2014-10-01 -2015-09-30
<i>Interest paid and dividend obtained</i>		
Interest obtained	639	1 969
Interest paid	-17 210	-1 838
<i>Adjustment for items, not included in the cash flow, etc.</i>		
Unrealised currency exchange rate differences	-90 964	2 441
Other provisions	-39 408	-5 489
Income tax related to previous year	-9 298	-521
Other non-cash items	0	-5 046
	-139 670	-8 615
<i>Cash and cash equivalents</i>		
The following components are included in the cash and cash equivalents:		
Cash in hand and at bank	303	302
Balance of group account within parent company	2 320 438	2 741 509
	2 320 741	2 741 811

Notes

Note 1 Accounting principles etc.

General accounting principles

The Annual Report has been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Accounting Standards Board's Guidance BFNAR 2012:1 Annual report and consolidated financial statements (K3).

Group relationship

The company is a wholly-owned subsidiary company of Siemens International Holding B.V, the Netherlands. Siemens International Holding B.V. is part of a group whose parent company Siemens AG with headquarters in Berlin and München, Germany, prepares consolidated financial statements for the whole group.

Consolidated financial statements

The company is a parent company but does not prepare consolidated financial statements for its group with reference to the exemption rule in Annual Accounts Act Chapter 7 § 2 Section 1.

Revenue recognition

Sale of goods

Revenue is recognized at the fair value of what the company has received or will receive. This means that the company reports revenue at nominal value (invoice amount) if the company receives compensation in cash immediately upon delivery. Deductions are made for discounts provided.

The sale of goods is normally recognized as revenue when the significant risks and rewards associated with the ownership of the goods have been transferred from the company to the buyer.

Interest, royalties and dividends

Compensation in the form of interest, royalties and dividends are recognized as revenue when it is probable that the company will receive the economic benefits associated with the transaction and when the revenue can be measured reliably.

Service and Construction contracts

Service contracts/Construction contracts on current accounts are recognized as revenue as the work is performed.

The company recognizes revenue for rendered services and construction contracts at a fixed price as the work is done, using the percentage of completion method. When calculating accrued profit, the degree of completion is calculated and expenses on the balance sheet date in relation to the total estimated cost of completing the contract. The difference between reported revenue and invoiced part payments are recognized in the balance sheet in one of the items "Accrued income not yet invoiced" or "Invoiced but not accrued income". When the outcome of a contract is impossible to assess reliably, revenue is recognized only to the extent that contract costs have been incurred and can be recovered. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized immediately the result.

Besides to construction contracts in progress, the largest part of income comes from the sale of spare parts and service contracts. Revenue for these contracts are recognized at completion or when the risk for the supplied goods has been transferred to the customer.

Lease agreement

All leasing contracts, both financial and operational, are reported as operational. Operating leases are recognized as an expense over the lease period. See also note 5.

Employee benefits

Employee benefits refer to all kinds of benefits that the company provides to its employees. The company's remuneration includes salaries, paid vacation, paid sick leave, bonuses and retirement benefits (pensions). Reporting is done as it is earned. Post-employment benefits are defined contribution or defined benefit pension plans. Defined contribution plans are plans in which fixed fees are paid and there are no obligations, whether legal or constructive, of additional payments, in additions to those charges. Other plans are classified as defined benefit plans. The company has no other long-term employee benefits.

The company has both defined contribution and defined benefit pension plans. The defined benefit plans financed via Alecta are accounted for as defined contribution plans until there is enough information to report the plan as defined benefit. This means that premiums paid for the defined benefit pension plans in Alecta are reported as expenses.

Translation of items in foreign currency

Receivables and payables in foreign currencies are valued at the closing day rate. Exchange gains and losses on operating receivables and liabilities are disclosed in operating profit, while exchange gains and losses on financial receivables and liabilities are reported as financial items.

Tax

Total tax consists of current tax and deferred tax. Taxes are accounted for in the income statement, except when the underlying transaction is recorded directly against equity, whereby the associated tax effect is recognized in equity.

Current tax

Current tax refers to income tax for the current fiscal year as well as the part of the previous financial income not yet recognized. Current tax is calculated with the tax rate applicable on the closing date.

Deferred tax

Deferred tax is the tax that relates to future financial years as a result of past events. Reporting is done using the liability method. Accordingly to this method, deferred tax liabilities and deferred tax assets due to temporary differences arising between the book and tax bases of assets and liabilities and for the tax deductions or deficits.

Deferred tax assets are netted against deferred tax liabilities only if they can be paid by a net amount. Deferred tax is calculated at the tax rate at the balance sheet date. Effects of changes in tax rates are recognized in the period the change becomes statutory. Deferred tax assets are reduced to the extent that it is probable that the underlying asset can be realized in the foreseeable future. Deferred tax assets are recognized as financial assets and deferred tax provision.

Fixed assets

Tangible fixed assets and intangible assets are reported at acquisition value less accumulated depreciation and if any impairment.

Expenditure on internally generated goodwill and brands is recognized in the income statement as an incurred expense.

Tangible fixed assets are divided into significant components when the components have significantly different useful lives.

Internally generated intangible assets

The company applies the so-called "expensing model" for internally generated intangible assets. This means that all internal expenses for development of an intangible asset are expensed directly when they incur.

The following depreciation periods are used:

Intangible assets

Computer programs	3 - 5 years
Licenses	3 - 5 years

Tangible fixed assets

Buildings

Ceiling	40 years
Facade/window	40 years
Interior building components	25 years
Installations, plumbing and electricity, etc	45 years
Frames, foundation	100 years

Land improvements

Machinery and other technical equipment	5 - 10 years
Equipment, tools and installations	3 - 8 years

Financial instruments

Financial instruments are measured at fair value in accordance with BFAR 2012:1 Chapter 12.

Derivative

The company uses derivatives in the form of forward contracts in order to manage the risk of fluctuations in exchange rates. The company also has currency derivatives that are embedded in the sales or purchasing contracts denominated in third party currency. Forward contracts, including embedded derivatives, are measured at fair value and recognized in the balance sheet under derivative assets and liabilities. Gains or losses arising from changes in fair value are recognized in the income statement.

The fair value of forward contracts and embedded derivatives is shown in note 22 and 27.

Hedge accounting

Future flows are secured by forward exchange contracts. For essential flows hedge accounting is applied if there are no embedded derivatives counteracting the changes in value. In the application of hedge accounting, accumulated changes in value in the forward contract are off-set, up to the time of invoicing, in the fair value reserve in equity, note 24.

Differences in exchange rates arising during the recalculation of operating receivables and liabilities and associated securities are reported in the operating profit/loss, while exchange rate differences that arise during the recalculation of financial assets and liabilities and associated securities are reported in net financial income/expense.

Additional information about financial risk management can be found in note 31, Information about financial instruments.

Inventory

The inventory is reported at the lowest acquisition value according to the first in- first out- principle (FIFO) or fair value respectively. In this connection the obsolescence risk has been taken into consideration. The acquisition value for in-house manufactured semi-finished and finished products consists of direct manufacturing costs, plus a reasonable proportion of indirect costs. Normal capacity utilization has been taken into consideration for the purposes of valuation.

Other provisions

Warranty provision

A provision is reported when the underlying product or service has been sold. The Warranty provision is calculated on the basis of previous year's warranty cost and a calculation of future warranty risk.

Provision for loss-order contracts

A provision for loss-order contracts is reported when the expected economic benefits that the company calculates on receiving from a contract are lower than the unavoidable costs for fulfilment of contractual undertakings.

Restructuring reserve

A provision is reported when a detailed restructuring plan has been established and restructuring has either started or been officially announced.

Receivables, liabilities and provisions

Unless otherwise stated above, short-term receivables are valued at the lower of its acquisition value and the amount which are expected to be settled. Other liabilities and provisions are measured at the amount expected to be regulated. Other assets are recognized at acquisition value unless otherwise stated above.

During this year the classification of advances from customers and accrued income not yet invoiced has been changed, which has affected figures for prior year as well. The change has affected these items with an increase of 65 MSEK (270 MSEK).

Key ratio definitions

Adjusted equity

Equity plus untaxed reserves reduced by deferred taxes

Equity ratio

Adjusted equity as a percentage of balance sheet total

Note 2 Net sales

Net turnover per geographical market:

	2015/16	2014/15
Sweden	437 337	516 759
Europe, except Sweden	2 312 329	3 289 058
North and South America	1 828 479	839 622
Asia incl. the Middle East	4 444 508	5 227 345
Africa	478 696	369 609
Oceania	259 727	103 010
	9 761 076	10 345 403

Note 3 Other operating income

	2015/16	2014/15
Compensation from Group companies related to research and development	564 916	447 142
Compensation from insurance companies	47 488	40 914
Other	356 855	286 370
	969 259	774 426

Note 4 Audit fee

	2015/16	2014/15
<i>Ernst & Young</i>		
Auditing	-1 777	-1 919
	-1 777	-1 919

Fees and reimbursements for auditors which have been expensed during the year are reported above. Reimbursement for consultations is reported in those cases in which the same accounting firm holds the audit assignment in the individual company. 'Audit assignment' refers to the statutory audit of the Annual Report, as well as the Board of Directors' and CEO's administration. Apart from auditing there are no other assignments.

Note 5 Leaseagreement - lessee

	2015/16	2014/15
<i>Operating lease</i>		
Leasing charged regarding operating lease agreement	-25 474	-40 667
Future minimum leasing fees concerning non-cancellable operating lease contracts		
Payable within one year	-12 050	-11 716
Payable between one and five years	-13 305	-13 063
Payable later than five years	0	0
	-25 355	-24 779

All leases are reported as operating leases in accordance with BFNAR 2012:1 Chapter 20:29. The fiscal year lease expenses include property leases for properties in which operations are conducted, which amounts to 16 236 KSEK (33 289 KSEK).

Note 6 Employees and personnel costs

	2015/16	2014/15
<i>Average number of employees</i>		
Men	2 041	2 077
Women	513	520
	2 554	2 597
<i>Salaries and other compensations</i>		
Board and CEO	-5 120	-2 826
Other employees	-1 418 199	-1 375 676
	-1 423 319	-1 378 502
Bonuses to board and CEO are included with	-2 122	-1 250
<i>Pensions and other social costs</i>		
Pension costs for board and CEO	-1 384	-763
Pension costs for other employees	-376 562	-357 368
Other social costs according to statutory and contractual	-299 286	-285 502
	-677 232	-643 633

Two members of the board is included in the disclosure of compensation this year in comparison with one member of the board prior year.

Severance payment for CEO

Upon termination by the company, the notice period is 12 months. Furthermore, a severance payment equivalent to 12 monthly salaries is paid out.

Incentive Program

Some senior executives in the company is covered by an incentive program which, among other, will include the right to receive shares of Siemens AG.

	2016-09-30	2015-09-30
<i>Gender distribution among leading management positions</i>		
Share of women in the board	25%	11%
Share of men in the board	75%	89%
Share of women among other leading management positions	21%	22%
Share of men among other leading management positions	79%	78%

During this year other employees have been offered free shares through a share program called Siemens Profit Sharing.

Note 7 Purchases and sales between group companies

	2015/16	2014/15
Share of total purchases from other companies within the group	23%	22%
Share of total sales to other companies within the group	37%	32%

Note 8 Interest income and similar items

	2015/16	2014/15
Interest income from group companies	83	1 274
Other interest income	556	695
Exchange rate profits on financial receivables/liabilities	5 414	159
	6 053	2 128

Note 9 Interest costs and similar items

	2015/16	2014/15
Interest costs to group companies	-1 154	-1 172
Other interest costs	-17 015	-710
	-18 169	-1 882

Note 10 Appropriations

	2015/16	2014/15
Difference between booked depreciation and depreciation according to plan		
- Machinery and equipment	-6 000	-19 000
	-6 000	-19 000

Note 11 Tax on the earnings of the year

	2015/16	2014/15
Current taxes relating to the period	-244 336	-350 807
Adjustment of current taxes for prior periods	489	-10 308
Change of deferred tax concerning temporary differences	-5 790	-12 791
Total income taxes	-249 637	-373 906

Reconciliation of effective tax rate

Income before tax	1 137 427	1 637 681
Tax according to current tax rate (22 %):	-250 234	-360 290
Tax effect of:		
Other non-deductible expenses	-2 259	-3 348
Other non-taxable income	0	39
Other deductible expenses not booked	2 367	0
Current taxes attributable to prior years	489	-10 308
Income tax	-249 637	-373 906
Effective tax rate	21,9%	22,8%

Note 12 Capitalised expenditure for computer software

	2016-09-30	2015-09-30
Acquisition values at the start of the year	14 721	26 122
Acquisitions	724	1 188
Sales/Disposals	0	-12 589
Reclassifications	-15 445	0
Accumulated acquisition value	0	14 721
Depreciation at the start of the year	-12 918	-25 115
Sales/Disposals	0	12 589
Reclassifications	13 576	0
Depreciation according to plan	-658	-392
Accumulated depreciation	0	-12 918
The book value at the end of the period	0	1 803

Note 13 Licenses

	2016-09-30	2015-09-30
Acquisition values at the start of the year	0	0
Acquisitions	5 915	0
Reclassifications	15 445	0
Accumulated acquisition value	21 360	0
Depreciation at the start of the year	0	0
Reclassifications	-13 576	0
Depreciation according to plan	-1 035	0
Accumulated depreciation	-14 611	0
The book value at the end of the period	6 749	0

During the year licenses are reclassified, which earlier were reported in Capitalised expenditure for computer software.

Note 14 Land and buildings

	2016-09-30	2015-09-30
Acquisition values at the start of the year	651 139	653 430
Acquisitions	835	944
Sales/Disposals	0	-1 506
Reclassifications	0	-1 729
Accumulated acquisition value	651 974	651 139
Depreciation at the start of the year	-146 162	-122 158
Sales/Disposals	0	1 506
Depreciation according to plan	-25 554	-25 510
Accumulated depreciation	-171 716	-146 162
The book value at the end of the period	480 258	504 977

Note 15 Machinery and other technical equipment

	2016-09-30	2015-09-30
Acquisition values at the start of the year	1 493 477	1 479 186
Acquisitions	127 447	42 737
Sales/Disposals	-16 619	-28 446
Accumulated acquisition value	1 604 305	1 493 477
Depreciation at the start of the year	-988 666	-916 079
Sales/Disposals	15 540	25 657
Depreciation according to plan	-99 672	-98 244
Accumulated depreciation	-1 072 798	-988 666
The book value at the end of the period	531 507	504 811

Note 16 Equipment, tools and installations

	2016-09-30	2015-09-30
Acquisition values at the start of the year	539 610	513 686
Acquisitions	51 137	51 670
Sales/Disposals	-4 069	-25 746
Accumulated acquisition value	586 678	539 610
Depreciation at the start of the year	-392 908	-338 783
Sales/Disposals	4 057	23 983
Depreciation according to plan	-71 188	-78 108
Accumulated depreciation	-460 039	-392 908
The book value at the end of the period	126 639	146 702

Note 17 Construction in progress

	2016-09-30	2015-09-30
Acquisition values at the start of the year	138 746	45 745
Investments	196 334	187 811
Final activation	-186 058	-96 539
Reclassifications	0	1 729
The book value at the end of the period	149 022	138 746

Note 18 Shares in group companies

	2016-09-30	2015-09-30
Acquisition values at the start of the year	115 741	0
Acquisitions	0	115 741
The book value at the end of the period	115 741	115 741

Specification of shares in group companies

Company / org no, headquarters	Share in %	Book value
SKR Lager 20 KB, 969665-8567, Finspång	100	115 741
	Equity	Profit for the year
SKR Lager 20 KB, 969665-8567, Finspång	115 741	0

Note 19 Shares in associated companies

	2016-09-30	2015-09-30
Acquisition values at the start of the year	50	50
The book value at the end of the period	50	50

Specification of shares in associated companies

Company / org no, headquarters	Number of shares	Proportion of equity	Book value
CNG Curt Nicolin Gymnasiet Holding AB, 556540-4638, Finspång	500	16%	50

Note 20 Other long-term financial investments

	2016-09-30	2015-09-30
Acquisition values at the start of the year	3 458	3 294
Addition of assets	4 155	2 512
Reduction of assets	-2 325	-2 348
The book value at the end of the period	5 288	3 458

Certain pension commitments are secured by a company-owned endowment policy. At the same time, the pension commitment, including special payroll tax on pension costs, is reported as a provision.

Note 21 Deferred tax

	2016-09-30	2015-09-30
Initial Balance	13 197	29 288
Addition of tax assets	1 445	0
Reversal of tax assets	-7 416	-16 091
	7 226	13 197
Land and buildings	761	1 165
Warranty reserve	5 130	11 962
Endowment insurances	1 164	0
Special payroll tax on on endowment insurances	282	0
Other provisions	-111	70
The book value at the end of the period	7 226	13 197

The change between the years are reported as a deferred tax cost of 5 790 KSEK (12 792 KSEK) as well as against the fair value reserve in equity, 181 KSEK (3 299 KSEK).

In the calculation of deferred tax for this year the value of endowment insurances and related special payroll tax is included.

See also note 11 Tax on profit for the year

Note 22 Derivative assets

	2016-09-30	2015-09-30
Outstanding derivatives to fair value		
Forward contracts	71 975	87 630
Embedded derivatives in contracts	133 031	183 305
The book value at the end of the period	205 006	270 935

Note 23 Accrued income not yet invoiced

	2016-09-30	2015-09-30
Construction contracts calculated with percentage of completion method		
Earned revenue	6 708 914	9 765 319
Invoiced amount	-5 582 984	-8 536 107
The book value at the end of the period	1 125 930	1 229 212

Note 24 Change of Shareholders' equity

	<i>Restricted equity</i>		<i>Non-restricted equity</i>		Profit for the year	Total
	Share equity	Reserve fund	Fair value reserve	Profit carried forward		
Equity closing balance 2015-09-30 according to adopted balance sheet	30 000	269 100	-248	1 579 930	1 263 775	3 142 557
Transfer of result prior year				1 263 775	-1 263 775	0
<i>Transactions with owner:</i>						
Dividend				-1 263 775		-1 263 775
Change for the year of cashflow hedge accounting*			642			642
Profit for the year					887 790	887 790
Equity closing balance 2016-09-30	30 000	269 100	394	1 579 930	887 790	2 767 214

* In the application of hedge accounting, unrealized profits and losses on futures contracts, up to the time of invoicing, are reported in the fair value reserve in unrestricted equity.

Note 25 Untaxed reserves

	2016-09-30	2015-09-30
Tax allocation reserve deposited 2013	490 000	490 000
Accumulated excess depreciation	371 000	365 000
	861 000	855 000

Note 26 Provisions

	2016-09-30	2015-09-30
<i>Pensions and similar commitments</i>		
Amount at beginning of year	4 189	4 101
Provisions	4 707	2 436
Pensions paid	-2 325	-2 348
	6 571	4 189

Other provisions

Amount at beginning of year	378 554	384 131
Provisions	251 236	166 205
Amount released	-174 778	-96 419
Amount reversed	-118 248	-75 363
	336 764	378 554

Specification of other provisions

Constructions contracts related warranty commitments	141 843	187 336
Other provisions related to construction contracts	194 921	191 218
	336 764	378 554

Note 27 Derivative liabilities

	2016-09-30	2015-09-30
Outstanding derivative to fair value		
Forward contracts	163 326	186 703
Embedded derivatives in contracts	4 454	5 894
	167 780	192 597

Note 28 Invoiced but not accrued income

	2015-09-30	2014-09-30
Construction contracts calculated with percentage of completion method		
Earned revenue	-19 409 466	-19 315 277
Invoiced amount	21 049 194	20 871 506
The book value at the end of the period	1 639 728	1 556 229

Note 29 Accrued expenses and deferred income

	2016-09-30	2015-09-30
Accrued personnel costs	484 731	448 745
Accrued outstanding expenses for projects	583 248	608 841
Other accrued expenses	2 392	1 611
	1 070 371	1 059 197

Note 30 Contingent liabilities

As a part of the company's business activities, there are also bank guarantees for the completion of various contractual obligations. Certain of these are of an on-demand character. The probability for an outflow of essential resources related to these commitments is assessed to be very low.

Note 31 Information about financial instruments

The company is exposed to various types of currency risks. These consist of risk positions denominated in other currencies than Swedish Kronor (SEK) and are due to exchange rate fluctuations on the foreign exchange market. A risk position can be a contracted sale or cost which leads to a future flow, as well as a binding offer made in which the amount expressed in the foreign currency is fixed. In addition to this, bank account balances in foreign currencies also constitute a risk position.

Currency exposures are managed by currency hedging all essential binding undertakings and bank account balances in foreign currencies with the help of financial instruments.

Transaction exposure

Transaction exposure per currency expressed in KSEK as per 2016-09-30 is detailed below. Exposure is defined as monetary assets and liabilities, as well as contracted flows.

Table A						Table B	
<i>Currency</i>	<i>2016/2017</i>	<i>2017/2018</i>	<i>2018/2019</i>	<i>2019/2020 and forward</i>	<i>Sum</i>	<i>Sum</i>	<i>Closing rate</i>
AED	-4.291	0.000	0.000	0.000	-4,291	-4,291	2.3470
CAD	16.051	0.000	0.000	0.000	16,051	14,713	6.5494
CHF	-0.965	0.000	0.000	0.000	-0,965	-1,322	8,8461
CNY	-0.447	0.000	0.000	0.000	-0,447	-0,447	1,2921
EUR	181,462	662,865	181,881	822,194	1 848,403	1 846,390	9,6210
GBP	-33,089	4,519	5,412	2,468	-20,689	-19,275	11,1738
HUF	49,133	7,721	0,000	0,000	56,854	56,854	0,0311
ILS	0,000	0,000	0,000	0,000	0,000	-0,044	2,2909
JPY	-2,485	0,000	0,000	0,000	-2,485	-2,485	0,0851
PLN	222,163	68,388	48,526	145,859	484,936	477,527	2,2275
SGD	-0,316	0,000	0,000	0,000	-0,316	0,000	6,3151
THB	-0,168	-0,911	0,000	0,000	-1,079	-1,396	0,2486
USD	205,756	44,155	65,580	56,697	372,189	374,718	8,6202
Sum	632,804	786,739	301,399	1 027,219	2 748,161	2 740,942	

The transactions exposure is secured by forward exchange contracts. In table B the currency conversions equivalent value is stated in KSEK per currency. The rate refers to the balance sheet rate.

Siemens Industrial Turbomachinery AB
556606-6048

Finspång the 28th of November 2016

Hans Holmström
Chairman

Henry Fordell
Member of the Board

Veronica Andersson
Employee representative Unionen

Kent Gustafsson
Employee representative Metall

Our annual report has been issued

Ernst & Young AB

Jan Birgeron
Authorised auditor

TRANSLATION FROM THE SWEDISH ORIGINAL

Auditor's report

To the annual meeting of the shareholders of Siemens Industrial Turbomachinery AB, corporate identity number 556606-6048

Report on the annual accounts

We have audited the annual accounts of Siemens Industrial Turbomachinery AB for the year 2015-10-01--2016-09-30. The annual accounts of the company are included in the printed version of this document on pages 1-20.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts

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

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

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

Opinions

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 Industrial Turbomachinery AB as of September 30, 2016 and of its financial performance and its cash flows 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 annual meeting of shareholders adopt the income statement and balance sheet.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Siemens Industrial Turbomachinery AB for the year 2015-10-01--2016-09-30.

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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

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.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

We recommend to the annual 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.

Stockholm, December 12, 2016

Ernst & Young AB


Jan Birgersson

Authorized public accountant