

The Board and the Chief Executive Officer for  
**Siemens Industrial Turbomachinery AB**  
Org nr 556606-6048

hereby presents the

# **Annual Report**

the financial year 1. October 2013 - 30. September 2014

<b><u>Contents:</u></b>	<b><u>sida</u></b>
<b>Directors' report</b>	<b>2</b>
<b>Profit &amp; loss account</b>	<b>4</b>
<b>Balance Sheet</b>	<b>5</b>
<b>Commitments and Contingent Liabilities</b>	<b>6</b>
<b>Cash Flow Analysis</b>	<b>7</b>
<b>Notes with accounting principles and financial statement comments</b>	<b>8</b>
<b>Signatures</b>	<b>16</b>

## Board of Directors' report

### General about the Business Activity

The company is a completely owned subsidiary company of Siemens Industrial Turbomachinery N.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.

### Result and Status (MSEK):

	2014	2013	2012	2011	2010
Order intake	10 782	13 559	11 472	13 981	8 998
Turnover	9 664	10 094	10 012	10 032	9 515
Result before financial items	1 599	1 856	939	1 221	1 543
Average number of employees (note 6)	2 662	2 739	2 738	2 760	2 725

### Significant events during the financial year

The company has relatively large and complex contracts with several customers in the Middle East. Several contracts have during the year been suspended. The risk of termination of these contracts increased sharply in 2012 and remained high during this year.

In the light of this risk of termination, the company made a major adjustment of project forecasts during 2012. The one-time effect of these adjustments amounted to a considerable sum in 2012. The uncertainty in this adjustment is significant and further effects on the result in the coming year can not be excluded. During 2014 no essential changes of prognosticated costs have happened in these suspended contracts. The probability that the result effects during a possible termination of the contracts will exceed 300 MSEK is very low.

During the year 2013, relocation of the responsibility for delivery of new steam turbines to Siemens AG in Germany was completed. The company will retain development, sales support, manufacturing of some components and aftermarket activities for relevant steam turbine types.

Delivery of new steam turbines during the past 5-10 years accounted for about 15-25% of the company's turnover and a significant portion of the company's profitability. The company turnover is somewhat decreasing during 2014 due to this move, since the volumes have not been replaced by gas turbine deliveries quite as much.

The company has in 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. Demand for the company's products has been strong over the past six months and creates future growth opportunities. The major causes of concern to this growth are the financial turmoil driven by imbalances in major economies' government finances and political trade restrictions.

### Significant events after the end of the financial year

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

### Intangible Rights

The intangible rights for the technology used in the company belong to a subsidiary company in Germany. Agreements to use these rights are made with the subsidiary company. The agreement has led to the company's result being charged with a cost of 465 882 KSEK (534 468 KSEK).

There is an agreement with this subsidiary 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 paid during the financial year amounted to 394 458 KSEK (415 302 KSEK). The compensation is accounted for under other operating income.

### Expectations concerning Future Development

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, is 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 oil market is that both markets will generate new technological issues and create possibilities for the suppliers to claim their position on the market.

During the year the market was characterized by structural changes due to purchases and poolings by known actors. General Electric's purchase of ALSTOM's energy section and Siemens' purchase of Rolls-Royce's energy section are two examples of acquisition that will influence and change the conditions of the market segments where SIT AB are working.

**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.

Essential currency exchange exposures are secured in full if they are assignable to monetary assets and liabilities together with contracted sale or other binding commitments denominated into foreign currency. According to the company's policy, standardized currency terms and -swaps may be used as securing instruments.

**Personnel**

The company's management includes measurement of two personnel-related areas:

	2013/2014	2012/2013
Sickness absence (proportion of total hours)	2,5%	2,3%
Accidents (amount during the financial year)	11	9

Of reported incidents and accidents, the majority are incidents. This means that less than 0.4% of the reported events have been injuries that resulted in absence from work.

**Environmental Information**

SIT AB runs a business that requires permits, according to the Environmental Legislation. The present decision is dated May 2, 2012, and continues to be valid until any conditions of the environmental permit will be 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 site is certified by Det Norske Veritas (DNV) according to the standards ISO 9001 (Quality), ISO 14001 (External Environment) and OHSAS 18001 (Working Environment).

**Proposal for disposal of the company's profit**

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

Unrestricted equity

Retained profit	1 571 332 400
Result of the year	996 629 371
Total	<u>2 567 961 771</u>

Profit disposal

Dividend	996 629 000
Off-set in the new account	1 571 332 771

Concerning the company's result and position in other respects, reference is made to the following profit and loss accounts together with balance sheets with accompanying account comments.

## Profit & loss account

<i>Amounts in TSEK</i>	<i>Note</i>	<i>2013-10-01 -2014-09-30</i>	<i>2012-10-01 -2013-09-30</i>
Net sales	1	9 663 576	10 094 114
Change of products in progress, finished goods and work in progress on the behalf of somebody else		-555 942	-18 064
Other operating income	2	<u>731 061</u>	<u>859 145</u>
		9 838 695	10 935 195
<b>Operating costs</b>			
Raw materials and consumables		-3 411 997	-4 085 468
Other external costs	3,4,5	-2 477 876	-2 726 055
Personnel costs	6	-2 085 638	-2 081 856
Depreciations and write-downs for material and intangible fixed assets	7	-194 613	-183 408
Other operating costs	8	<u>-69 918</u>	<u>-2 218</u>
<b>Operating earnings</b>		1 598 653	1 856 190
Interest income and similar items	9	23 499	45 614
Interest costs and similar items	10	<u>-1 671</u>	<u>-1 635</u>
<b>Results after financial items</b>		1 620 481	1 900 169
<b>Appropriations</b>	11	<u>-346 000</u>	<u>-490 000</u>
<b>Results before tax</b>		1 274 481	1 410 169
Tax on the earnings of the year	12	<u>-277 852</u>	<u>-383 660</u>
<b>Profit for the year</b>		996 629	1 026 509

## Balance sheet

<i>Amounts in TSEK</i>	<i>Note</i>	<i>2014-09-30</i>	<i>2013-09-30</i>
<b>ASSETS</b>	22		
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Capitalised expenditure for computer software	13	1 007	181
		1 007	181
<b>Material fixed assets</b>			
Buildings and land	14	535 564	511 968
Machinery and other technical equipment	15	563 107	582 863
Equipment, tools and installations	16	174 903	221 999
New installations in progress and advances concerning material fixed assets	17	45 745	93 977
		1 319 319	1 410 807
<b>Financial fixed assets</b>			
Shares and participations	18	50	50
Endowment policy	19	3 294	3 773
Deferred tax	20	28 343	29 488
		31 687	33 311
<b>Total fixed assets</b>		<b>1 352 013</b>	<b>1 444 299</b>
<b>Current assets</b>			
<b>Inventories etc.</b>			
Raw materials and consumables		1 009 774	1 201 797
Goods being manufactured		1 552 216	2 108 158
Advances to suppliers		9 853	10 137
		2 571 843	3 320 092
<b>Short-term receivables</b>			
Trade account receivables		527 443	646 227
Receivables from group companies		173 224	56 655
Financial claims on group companies		4 300 530	4 284 162
Other receivables	21	464 641	430 820
Processed but not billed income		1 261 428	981 398
Prepaid expenses and accrued earnings		8 810	11 900
		6 736 076	6 411 162
<b>Cash in hand and at bank</b>		<b>413</b>	<b>117</b>
<b>Total current assets</b>		<b>9 308 332</b>	<b>9 731 371</b>
<b>TOTAL ASSETS</b>		<b>10 660 345</b>	<b>11 175 670</b>

## Balance sheet

Amounts in TSEK	Note	2014-09-30	2013-09-30
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital (300,000 shares, quoted value 100 SEK/each)		30 000	30 000
Reserve fund		269 100	269 100
		<u>299 100</u>	<u>299 100</u>
<i>Shareholders' equity</i>			
Profit carried forward		1 571 332	2 568 312
Profit for the year		996 629	1 026 509
		<u>2 567 961</u>	<u>3 594 821</u>
		2 867 061	3 893 921
<b>Year-end reserve</b>			
Additional depreciation		346 000	–
Provision for tax allocation reserve		490 000	490 000
		<u>836 000</u>	<u>490 000</u>
<b>Provisions</b>			
Provisions for other pensions and special payroll tax		4 101	4 698
Other provisions	24	384 131	415 017
		<u>388 232</u>	<u>419 715</u>
<b>Long-term liabilities</b>			
Liabilities to group companies		335	33
		<u>335</u>	<u>33</u>
<b>Short-term liabilities</b>			
Billed but not processed income		1 714 461	1 800 237
Advances from customers		2 012 010	1 319 014
Supplier payables		650 130	400 439
Liabilities to group companies		33 907	63 514
Tax liabilities		89 285	211 857
Other liabilities	25	925 527	1 298 438
Accrued expenses and prepaid earnings	26	1 143 397	1 278 502
		<u>6 568 717</u>	<u>6 372 001</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10 660 345</b>	<b>11 175 670</b>
<b>Commitments</b>			
<i>For own liabilities and provisions</i>			
Mortgages		105 000	105 000
<b>Contingent liabilities</b>	27	None	None

## Cash Flow Analysis

<i>Amounts in TSEK</i>	<i>2013-10-01 -2014-09-30</i>	<i>2012-10-01 -2013-09-30</i>
<b>The current business activity</b>		
Results after financial items	1 620 481	1 900 169
Adjustment for items, not included in the cash flow, etc.	114 656	340 279
	<u>1 735 137</u>	<u>2 240 448</u>
Tax paid	-397 676	-218 910
<b>Cash flow from the current business activity prior to changes in working capital</b>	1 337 461	2 021 538
<i>Cash flow from changes in operating capital</i>		
Increase(-)/Reduction(+) of inventories	748 249	-126 635
Increase(-)/Reduction(+) of operating receivables	-259 095	222 100
Increase(+)/Reduction(-) of operating payables	295 799	-2 106 681
<b>Cash flow from operating activities</b>	<u>2 122 414</u>	<u>10 322</u>
<b>Investment business activity</b>		
Acquisition of intangible fixed assets	-1 080	-
Acquisition of fixed material assets	-111 454	-132 108
Divesting of fixed material assets	6 003	55
Acquisition of financial assets	-	-190
Divesting/reduction of financial assets	479	-
<b>Cash flow from investment activity</b>	<u>-106 052</u>	<u>-132 243</u>
<b>Financing activities</b>		
Long-term debt group companies	302	28
Dividend paid	-2 000 000	-745 717
<b>Cash flow from financial activity</b>	<u>-1 999 698</u>	<u>-745 689</u>
<b>Cash flow of the year</b>	16 664	-867 610
<b>Liquid resources at the start of the year</b>	4 284 279	5 151 889
<b>Liquid resources at the end of the year</b>	4 300 943	4 284 279

## Supplementary information for the Cash Flow Analysis

<i>Amounts in TSEK</i>	<i>2013-10-01 -2014-09-30</i>	<i>2012-10-01 -2013-09-30</i>
<b>Interest paid and dividend obtained</b>		
Interest obtained	17 814	35 516
Interest paid	-1 560	-2 038
<b>Adjustment for items, not included in the cash flow, etc.</b>		
Depreciation and write-down for assets	194 613	183 408
Unrealised currency exchange rate differences	-56 077	94 160
Realized result from sales of fixed assets	2 580	2 218
Other provisions	-31 483	63 447
Tax related to previous year	5 023	-2 954
	<u>114 656</u>	<u>340 279</u>
<b>Liquid resources</b>		
<i>The following components are included in the liquid resources:</i>		
Cash in hand and at bank	413	117
Assets in the company account in the parent company	4 300 530	4 284 162
	<u>4 300 943</u>	<u>4 284 279</u>

## Notes with accounting principles and financial statement comments

Amounts in TSEK unless otherwise specified

The Annual Report has been drawn up in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's General Advice.

### Valuation principles etc.

Assets, provisions and liabilities have been valued at acquisition value if nothing else is stated below.

#### Intangible assets

##### *Costs for research and development*

In the company, all development costs are reported as costs in the P/L Account.

##### *Goodwill and other intangible assets*

Intangible assets acquired by the company are reported at acquisition value minus accumulated depreciations and write-downs. Expenses for internally generated goodwill and trademarks are reported in the P/L Account as costs as they arise.

##### *Depreciations*

Planned depreciations are based on original acquisition values. Depreciations are made linearly during the lifetime of the asset and are reported as costs in the P/L Account.

The following depreciation periods are used:

##### Useful life

Computer programs

3 years

#### Material fixed assets

Material fixed assets are reported as assets in the balance sheet when, on the basis of the available information, it is likely that the future economic benefit associated with possession vests in the company and the acquisition value can be calculated in a reliable way.

##### *Additional expenses*

Additional expenses are added to the acquisition value to the extent that the asset's performance is improved in relation to the level that applied when it was originally acquired. All other additional expenses are reported as costs in the period they arise.

##### *Depreciation principles for material fixed assets*

Planned depreciations are based on the original acquisition value less the calculated residual value. Depreciation occurs linearly over the asset's estimated useful life.

The following depreciation periods are used:

##### Useful life

Buildings

25-50 år

Land improvements

20 år

Machinery and other technical equipment

5-10 år

Equipment, tools and installations

3-8 år

#### Receivables

Receivables are reported at acquisition value reduced by any depreciation.

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

Receivables and payables in foreign currency have been converted into the exchange rate on the balance sheet date.

#### Inventory

The inventory, valued according to the Swedish Accounting Standards Board's General Advice BFNAR 2000:3, is reported at the lowest acquisition value according to the FIFO principle or true 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.

#### Earnings

The company's earnings come mainly from contract assignments in progress. These are reported in accordance with IAS 11 Construction Contracts. The standards means that percentage of completion is applied to all those assignments for which the result can be calculated in a satisfactory way. Earnings and expenses are reported in the P/L Account in relation to the degree of completion of the assignment. This is calculated as the percentage of actual costs in relation to total project costs. For projects where assignment costs cannot be calculated reliably the earnings will be accounted for with the same value as the assignment costs. If the total assignment cost is expected to exceed the assignment income, these feared losses will be accounted for in total.

In addition to contract assignments in progress, the largest part of earnings comes from the sale of spare parts and servicing assignments. These are taken up as earnings once servicing has been completed or once risk for the supplied goods has transferred to the customer.



## Accounting

### Derivative instruments

The company utilizes derivative instruments in the form of futures contracts in order to manage the risk of exchange rate fluctuations. The company also has currency derivative contracts embedded in sales of purchase contracts. Futures contracts, including embedded derivatives, are evaluated continuously at their real value and are reported in the balance sheet under Other short-term receivables or Other short-term liabilities. Profit or loss resulting from a change in the real value is reported in the P/L Account.

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 futures contract are off-set, up to the time of invoicing, in the fair value reserve in equity (see Note 23).

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 22, Financial instruments and financial and financial risk management.

### Payments to employees

#### *Benefit-base pensions*

The company's pension liability is insured by Alecta.

According to a statement from the Swedish Financial Reporting Board, UFR 3 *Classification of ITP plans financed by insurance in Alecta*, this is a multi-employer, defined-benefit plan. Sufficient information to make it possible to report the company's proportional share of the defined-benefit liability is not available. Consequently, the plan is reported as a defined-contribution plan, which means that paid premiums are reported as a cost.

### Tax

The company applies the Swedish Accounting Standards Board's General Advice on accounting of income taxes, BFNAR 2001:1. The total tax consists of current tax and deferred tax.

Taxes are reported in the P/L Account, except when the underlying transaction is reported directly against the equity, whereby the associated tax effect is reported in the equity. Current tax is tax to be paid or received in respect of the current year. The adjustment of current tax pertaining to previous periods also belongs here. Deferred tax is calculated according to the balance sheet method, starting with temporary differences between reported and fiscal value of assets and liabilities. The amounts are calculated based on how the temporary differences are expected to be equalized and the application of the tax rates and tax regulations that are decided or notified on the balance sheet date.

Deferred tax claims relating to deductible temporary differences and deficit deductions are reported only to the extent it is likely they will result in lower future tax payments.

### Other provisions

#### *Guarantee reserve*

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

#### *Reserve for loss-making contracts*

A provision for loss-making contracts is reported when the expected economic benefits the company counted 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.

#### *Leasing - lease holders*

The Swedish Accounting Standards Board's General Advice BFNAR 2000:4 about reporting of leasing contracts is applied. All leasing contracts are reported as operational in accordance with these rules.

### **Group data**

The company is a completely owned subsidiary of Siemens International Holding BV, with headquarters in the Netherlands. Siemens International Holding BV is part of a group of companies where Siemens AG, with headquarters in Berlin and Munich, Germany, draws up consolidated group reports for the largest company group.

Of the company's total purchases and sales measured in Swedish Kronor, 23,0% (24,4 %) of purchases and 40,0 % (47,1 %) of sales refer to other companies within the group of companies to which the company belongs.

**Note 1 Net Turnover per Geographical Market**

	2013-10-01 -2014-09-30	2012-10-01 -2013-09-30
<i>Net Turnover per Geographical Market</i>		
Sweden	444 618	395 340
Europe, except Sweden	3 348 963	5 233 621
North and South America	1 098 621	1 379 660
Asia incl. the Middle East	3 169 888	1 962 945
Africa	1 136 411	277 833
Oceania	465 075	844 715
	<u>9 663 576</u>	<u>10 094 114</u>

**Note 2 Other operating income**

	2013-10-01 -2014-09-30	2012-10-01 -2013-09-30
Invoicing, external services	949	4 066
Insurance compensation	-	961
Profits from divesting of fixed material assets	1 187	-
Profits from currency exchange deals, net	-	196 674
Compensation from group companies for research and development	394 458	415 302
Miscellaneous	334 467	242 142
	<u>731 061</u>	<u>859 145</u>

Compensation from group companies for research and development refers to compensation for the rights to the technology which has been developed within the company during the year. The compensation is based on actual research and development costs.

**Note 3 Fees and compensation for expenses to auditors**

	2013-10-01 -2014-09-30	2012-10-01 -2013-09-30
<i>Ernst &amp; Young AB</i>		
Auditing	<u>1 931</u>	<u>1 884</u>
	1 931	1 884

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 4 Leasing Fees**

The financial year's leasing costs include the rent for properties in which business activities are carried out at 42 839 TSEK (54 206 TSEK). Part of the leasing contracts, 24 193TSEK 2013/2014, has the character of financial leasing contracts for properties and vehicles. The contracts run until March 2016. All the leasing contracts are reported as operational leasing contracts in accordance with the Swedish Accounting Standards Board's. The lessor is entitled to request that the company acquires the properties in accordance with the stipulated conditions upon expiration of the rental agreement on 31 March 2016. The company intends to resolve the leasing contract during 2015 and buy the properties.

	2013-10-01 -2014-09-30	2012-10-01 -2013-09-30
Contracted future minimum leasing fees concerning contracts that cannot be cancelled become due:		
Within one year	36 965	42 493
Between one and five years	120 547	147 476
Later than five years	57	-
	<u>157 569</u>	<u>189 969</u>
<i>Assets that are obtained via leasing contract</i>		
Leasing costs during the financial year	59 657	66 616

**Note 5 Other external costs**

Other external costs include compensation to subsidiaries for utilization of intangible rights by 465 882 TSEK (534 468 TSEK).

**Note 6 Employees, Personnel Costs and Remunerations to the Board**

	2013-10-01 -2014-09-30	2012-10-01 -2013-09-30
<b>Average number of employees</b>		
Sweden	2 662	2 739
Of whom are men	80%	81%
<b>Gender distribution in the company management</b>		
	2014-09-30 There of women	2013-09-30 There of women
The board	0%	0%
Other leading management positions	22,0%	16,7%
<b>Salaries, other compensations and social costs</b>		
	2013-10-01 -2014-09-30	2012-10-01 -2013-09-30
Board and CEO (whereof tantiem)	2 696 -(568)	2 465 -(918)
Other employees	1 347 646	1 350 458
Total	1 350 342	1 352 923
Social costs (whereof pension costs)	630 346 -(348 897)	627 925 -(350 969)

Of the company pension costs, 686 TSEK (previous year 483 TSEK) refer to the group board and CEO.

**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.

**Note 7 Depreciation of Material and Intangible Fixed Assets**

	2013-10-01 -2014-09-30	2012-10-01 -2013-09-30
Capitalised expenditure for computer software	-254	-120
Buildings and land	-21 200	-21 128
Machinery and other technical equipment	-92 828	-87 399
Equipment, tools and installations	-80 331	-74 761
	-194 613	-183 408

**Note 8 Other operating costs**

	2013-10-01 -2014-09-30	2012-10-01 -2013-09-30
Loss from currency exchange deals, net	-69 918	-
Loss on disposal of tangible fixed assets	-	-2 218
	-69 918	-2 218

**Note 9 Interest income and similar items**

	2013-10-01 -2014-09-30	2012-10-01 -2013-09-30
Interest income, group companies	18 108	38 328
Interest income, other	364	208
Exchange rate profits on financial receivables/liabilities	5 027	7 078
	23 499	45 614

**Note 10 Interest costs and similar items**

	2013-10-01 -2014-09-30	2012-10-01 -2013-09-30
Interest costs, group companies	-924	-631
Interest costs, others	-747	-1 004
	-1 671	-1 635

**Note 11 Appropriations, others**

	2013-10-01 -2014-09-30	2012-10-01 -2013-09-30
Difference between booked depreciation and depreciation according to plan		
- Machinery and equipment	-346 000	-
Transferred to Tax allocation reserve	-	-490 000
	<u>-346 000</u>	<u>-490 000</u>

**Note 12 Tax on the earnings of the year**

	2013-10-01 -2014-09-30	2012-10-01 -2013-09-30
<i>Actual tax costs (-)</i>		
Tax cost of the period	-275 104	-388 530
Tax pertaining to previous year	5 023	-2 954
	<u>-270 081</u>	<u>-391 484</u>
<i>Deferred tax cost (-) /tax income (+)</i>		
Deferred tax concerning temporary differences	-7 771	11 898
Dererred tax as a result of changes in tax rates		-4 074
	<u>-7 771</u>	<u>7 824</u>
<b>Total booked tax cost</b>	<u>-277 852</u>	<u>-383 660</u>

	2013-10-01 -2014-09-30		2012-10-01 -2013-09-30	
	Procent	Belopp	Procent	Belopp
Earnings before tax		1 274 481		1 410 169
Tax according to the current tax rates	22,0%	-280 386	26,3%	-370 874
Non-deductible costs	0,2%	-2 569	0,2%	-3 484
Non-deductible income	0,0%	80	0,0%	52
Foreign tax	0,0%	-	0,0%	-
Tax pertaining to previous year	-0,4%	5 023	0,2%	-2 954
Effect of changes in tax rates/and taxation rules				
Revaluation of deferred tax	0,0%		0,5%	-6 400
Book value of effective tax	21,8%	-277 852	27,2%	-383 660

**Note 13 Capitalised expenditure for computer software**

	2014-09-30	2013-09-30
<i>Accumulated acquisition values</i>		
At the start of the year	25 042	25 042
Acquisitions	1 081	-
	<u>26 123</u>	<u>25 042</u>
<i>Accumulated planned depreciation</i>		
At the start of the year	-24 861	-24 741
Planned depreciations for the year	-254	-120
	<u>-25 115</u>	<u>-24 861</u>
<b>The book value at the end of the period</b>	1 007	181

**Note 14 Buildings and land**

	2014-09-30	2013-09-30
<i>Accumulated acquisition values</i>		
At the start of the year	609 262	552 499
New acquisitions	46 036	60 939
Disposals and rejects	-1 868	-4 176
	<u>653 430</u>	<u>609 262</u>
<i>Accumulated planned depreciation</i>		
At the start of the year	-97 294	-77 458
Disposals and rejects	628	1 292
Planned depreciations for the year	-21 200	-21 128
	<u>-117 866</u>	<u>-97 294</u>
<b>The book value at the end of the period</b>	<u>535 564</u>	<u>511 968</u>

**Note 15 Machinery and other technical equipment**

	2014-09-30	2013-09-30
<i>Accumulated acquisition values</i>		
At the start of the year	1 424 408	1 364 290
New acquisitions	76 614	71 342
Disposals and rejects	-21 182	-11 224
Reclassification	-654	-
	<u>1 479 186</u>	<u>1 424 408</u>
<i>Accumulated planned depreciation</i>		
At the start of the year	-841 545	-764 936
Disposals and rejects	18 294	10 790
Planned depreciations for the year	-92 828	-87 399
	<u>-916 079</u>	<u>-841 545</u>
<b>The book value at the end of the period</b>	<u>563 107</u>	<u>582 863</u>

**Note 16 Equipment, tools and installations**

	2014-09-30	2013-09-30
<i>Accumulated acquisition values</i>		
At the start of the year	480 560	427 542
New acquisitions	32 656	84 560
Disposals and rejects	-184	-31 542
Reclassification	654	-
	<u>513 686</u>	<u>480 560</u>
<i>Accumulated planned depreciation</i>		
At the start of the year	-258 561	-215 162
Disposals and rejects	109	31 362
Planned depreciations for the year	-80 331	-74 761
	<u>-338 783</u>	<u>-258 561</u>
<b>The book value at the end of the period</b>	<u>174 903</u>	<u>221 999</u>

**Note 17 New installations in progress and advances concerning material fixed assets**

	2014-09-30	2013-09-30
At the start of the year	93 977	177 485
Investments	108 154	133 333
Final activation	-156 385	-216 841
<b>The book value at the end of the period</b>	<u>45 745</u>	<u>93 977</u>

**Note 18 Shares and participations**

	2014-09-30	2013-09-30
<i>Accumulated acquisition values</i>		
At the start of the year	50	50
<b>The book value at the end of the period</b>	<u>50</u>	<u>50</u>

The company owns 15,6 % of the shares in IUC Industriellt UtvecklingsCentrum Öst AB.

*Specification of the company's possession of shares and participations*

<i>Company / org no, headquarters</i>	<i>Number of shares / share in %</i>	<i>Book Value</i>
IUC Industriellt UtvecklingsCentrum Öst AB 556540-4638, Finspång	500 15,6	50

**Note 19 Endowment policy**

	2014-09-30	2013-09-30
<i>Accumulated acquisition values</i>		
At the start of the year	3 773	3 583
Additional assets	-	190
Reduction of assets	-479	
<b>The book value at the end of the year</b>	<b>3 294</b>	<b>3 773</b>

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 20 Deferred tax**

	2014-09-30	2013-09-30
Buildings and land	234	1 093
Guarantee reserve	24 740	31 651
Other provisions	3 369	-3 256
<b>The book value at the end of the period</b>	<b>28 343</b>	<b>29 488</b>

Year-on-year changes are reported as a deferred tax cost of 7 771 TSEK (7 824 TSEK) as well as against the fair value reserve in equity, 6 625 TSEK (8 134 TSEK).

The deductible temporary differences fall due within one to two years as it is deemed likely that the company will be able to use them for deduction from future taxable profits.

**Note 21 Other receivables**

	2014-09-30	2013-09-30
Positive value of currency futures	127 564	171 475
Positive value for embedded derivatives	130 464	7 780
Other items	206 613	251 565
	<u>464 641</u>	<u>430 820</u>

Derivatives are valued at their real value. Negative value for currency futures and embedded derivatives is reported under Other liabilities, as specified in Note 25

**Note 22 Financial instruments and financial risk management**

**Currency risks**

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 TSEK as per 2014-09-30 is detailed in table A below. Exposure is defined as monetary assets and liabilities, as well as contracted flows.

(Net flow per currency and financial year)

Table A						Table B	
Valuta	2014/2015	2015/2016	2016/2017	2017/ 2018 och framåt	Summa	Summa	Bokslutskurs
EUR	2 041 451	398 270	91 286	298 842	2 829 850	2 815 974	9,1465
USD	796 938	8 937	21 761	135 430	963 066	965 957	7,2689
AUD	15 072				15 072	15 071	6,3333
GBP	-139 684	-6 651	18 085	27 144	-101 106	-100 877	11,7670
PLN	560 522	135 487	7 466	198 470	901 944	902 137	2,1894
HUF	15 651	7 319	40 366	0	63 336	63 336	0,0295
<b>Summa</b>	<b>3 289 950</b>	<b>543 362</b>	<b>178 964</b>	<b>659 886</b>	<b>4 672 162</b>	<b>4 661 598</b>	

The transactions exposure is to 100 % secured by forward exchange contracts. In table B the conversion value is stated in TSEK per currency. The rate refers to the balance sheet rate.

<b>Note 23</b>	<b>Equity</b>			
	<i>Share equity</i>	<i>Reserve fund</i>	<i>Fair value reserve</i>	<i>Shareholders' equity</i>
At the start of the year	30 000	269 100	11 544	3 583 277
In the fair value reserve:				
Change for the year of Cashflow hedge accounting *			-23 489	
<i>Allocation according to decision from shareholders general meeting</i>				
Dividend				-2 000 000
Profit for the year				996 629
<b>At the end of the year</b>	<u>30 000</u>	<u>269 100</u>	<u>11 945</u>	<u>2 567 961</u>

\* 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.

<b>Note 24</b>	<b>Other provisions</b>	
	<i>2014-09-30</i>	<i>2013-09-30</i>
Guarantee commitments	220 442	210 389
Other project related provisions	163 689	204 628
	<u>384 131</u>	<u>415 017</u>

<b>Note 25</b>	<b>Other liabilities</b>	
	<i>2014-09-30</i>	<i>2013-09-30</i>
Negative value of currency futures	251 843	64 931
Negative value for embedded derivatives	10 555	149 516
Project related liabilities	606 709	1 023 590
Other items	56 420	60 401
	<u>925 527</u>	<u>1 298 438</u>

Derivatives are valued at their real value. Positive value for currency futures and embedded derivatives, is reported under Other receivables, as specified in Note 21.

<b>Note 26</b>	<b>Accrued expenses and prepaid earnings</b>	
	<i>2014-09-30</i>	<i>2013-09-30</i>
Accrued personnel costs	435 812	432 216
After costs reserve projects	705 967	845 154
Other items	1 618	1 132
	<u>1 143 397</u>	<u>1 278 502</u>

#### **Note 27**                      **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.

**Finspång the 28th of November 2014**

Thierry Toupin  
*Chairman*

Hans Holmström  
*Chief Executive Officer*

Willibald Meixner

Ulf Troedsson

Ralf Wunderlich

Mikael Wiström  
*Unionen*

Kent Gustafsson  
*Metall*

Jonas Eriksson  
*Metall*

Dick Kindåker  
*ASI*

Our annual report has been issued  
Ernst & Young AB

Jan Birgeron  
*Authorised auditor*





Building a better  
working world

## 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 2013-10-01 - 2014-09-30.

#### **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, 2014 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 2013-10-01 - 2014-09-30.

#### **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, 2014

Ernst & Young AB

Jan Birgersson  
Authorized Public Accountant