

Annual Report

the financial year 1. October 2016 - 30. September 2017

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

Contents	Page
Directors' report	2
Income statement	4
Balance Sheet	5
Report of changes in Equity	7
Cash Flow Analysis	8
Supplementary Disclosures	
Notes	9

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

The company has during the past five years had a stable turnover and profitability. This year's order intake keeps the company's order book at a continued high level. Offering operations have been on a high level over the last year but the markets are characterized by increased competition, as fewer projects have gone to completion. The major causes of concern to this growth are low oil prices, geopolitical uncertainty and political trade restrictions.

During the year, the properties in the subsidiary SKR Lager 20 KB were transferred to the company through a property regulation. SKR Lager 20 KB has been liquidated afterwards.

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 fact that the supply of oil is 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.

Risks and uncertain factors

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

- Geopolitical 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 Siemens group 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 595 095 KSEK (704 092 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 643 091 KSEK (564 916 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), OHSAS 18001 (Working Environment) and ISO 50001 (energy).

Result and status	2016/17	2015/16	2014/15	2013/14
Order intake (MSEK)	11 609	11 910	11 693	10 782
Turnover (MSEK)	9 439	9 761	10 345	9 664
Result before financial items (MSEK)	1 244	1 156	1 656	1 594
Balance sheet total (MSEK)	9 166	9 296	10 218	10 657
Equity ratio (%)	38,3%	37,0%	37,3%	33,0%
Number of employees	2 588	2 554	2 597	2 662

Specification of change in Equity

A summary of change in equity is shown in separate report.

Proposal for the appropriation of profits

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

Unrestricted equity

Retained profit	1 578 155 575
Result of the year	979 832 321
Total	<u>2 557 987 896</u>

Profit disposal

Dividend	979 832 321
Off-set in the new account	1 578 155 575
	<u>2 557 987 896</u>

Income statement

	Note	2016-10-01 -2017-09-30	2015-10-01 -2016-09-30
Net sales	1 2	9 439 494	9 761 076
Change of products in progress, finished goods and work in progress on the behalf of somebody else		555 271	44 314
Other operating income	3	1 123 182	969 259
		11 117 947	10 774 649
<i>Operating costs</i>			
Raw materials and consumables		-4 469 790	-4 205 479
Other external costs	4,5	-2 871 461	-2 983 822
Personnel costs	6	-2 284 231	-2 196 703
Depreciations and write-downs for material and intangible fixed assets		-189 200	-198 107
Other operating costs		-59 131	-34 995
		-9 873 813	-9 619 106
Operating earnings	7	1 244 134	1 155 543
<i>Results from financial items</i>			
Results from shares in group companies		-198	0
Interest income and similar items	8	843	6 053
Interest costs and similar items	9	-12 820	-18 169
		-12 175	-12 116
Income after financial items		1 231 959	1 143 427
Appropriations	10	23 000	-6 000
Income before tax		1 254 959	1 137 427
Tax on the earnings of the year	11	-275 127	-249 637
Net income for the year		979 832	887 790

Balance sheet

	Note	2017-09-30	2016-09-30
ASSETS	1,31		
Fixed assets			
<i>Intangible assets</i>			
Licenses	12	6 669	6 749
		6 669	6 749
<i>Tangible fixed assets</i>			
Land and buildings	13	562 355	480 258
Machinery and other technical equipment	14	447 345	531 507
Equipment, tools and installations	15	133 199	126 639
Construction in progress	16	310 965	149 022
		1 453 864	1 287 426
<i>Financial fixed assets</i>			
Shares in group companies	17	0	115 741
Shares in associated companies	18	50	50
Other long-term financial investments	19	3 896	5 288
Deferred tax	20	28 863	7 226
Other long-term receivables		10 626	0
		43 435	128 305
Total fixed assets		1 503 968	1 422 480
Current assets			
<i>Inventories etc.</i>			
Raw materials and consumables		1 508 216	1 362 417
Goods being manufactured		2 022 730	1 776 331
Finished goods and goods for sale		308 872	0
Advances to suppliers		8 378	7 734
		3 848 196	3 146 482
<i>Current receivables</i>			
Trade account receivables		1 019 186	550 425
Receivables from group companies		183 490	288 289
Financial receivables in group companies		888 863	2 320 438
Derivative assets	21	153 967	205 006
Other receivables		237 739	228 341
Accrued income not yet invoiced	22	1 320 723	1 125 930
Prepaid expenses and accrued income		6 316	8 706
		3 810 284	4 727 135
<i>Cash in hand and at bank</i>		3 909	303
Total current assets		7 662 389	7 873 920
TOTAL ASSETS		9 166 357	9 296 400

Balance sheet

	Note	2017-09-30	2016-09-30
EQUITY AND LIABILITIES	1, 29, 31		
Shareholders' equity			
<i>Restricted equity</i>			
Share capital	23	30 000	30 000
Restricted reserves		269 100	269 100
		299 100	299 100
<i>Non-restricted equity</i>			
Retained earnings	32	1 578 156	1 580 324
Profit for the year		979 832	887 790
		2 557 988	2 468 114
Total Shareholders' equity		2 857 088	2 767 214
Untaxed reserves	24	838 000	861 000
Provisions			
Provisions for other pensions and similar commitments	25	4 842	6 571
Other provisions		263 691	336 764
		268 533	343 335
Long-term liabilities			
Liabilities to group companies		23 022	7 651
Other liabilities		13 993	9 972
		37 015	17 623
Current liabilities			
Advances from customers		1 320 306	1 368 015
Trade account payables		763 143	668 643
Liabilities to group companies		26 174	56 339
Tax liabilities		50 261	9 123
Derivative liabilities	26	137 089	167 780
Other liabilities		239 079	327 229
Invoiced but not accrued income	27	1 523 772	1 639 728
Accrued expenses and deferred income	28	1 105 897	1 070 371
		5 165 721	5 307 228
TOTAL EQUITY AND LIABILITIES		9 166 357	9 296 400

Report on changes in 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 opening balance 2016-10-01 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 according to adopted balance sheet	30 000	269 100	394	1 579 930	887 790	2 767 214
Transfer of result prior year				887 790	-887 790	0
<i>Transactions with owner:</i>						
Dividend				-887 790		-887 790
Change for the year of cashflow hedge accounting*			-2 250			-2 250
Result from shares in group companies				82		82
Profit for the year					979 832	979 832
Equity closing balance 2016-09-30	30 000	269 100	-1 856	1 580 012	979 832	2 857 088

* 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.

Cash Flow Statement

Note	2016-10-01 -2017-09-30	2015-10-01 -2016-09-30
Operating activities		
Income after financial items	1 231 959	1 143 427
Adjustments for items, not included in cash flow, etc.		
Depreciation and amortization	189 201	198 107
Gains and losses on disposals of fixed assets	-2 076	570
Other adjustments to cash	-100 080	-139 670
	1 319 004	1 202 434
Income tax paid	-255 958	-308 658
Cash flow from operating activities prior to changes in working capital	1 063 046	893 776
<i>Cash flow from changes in operating capital</i>		
Increase(-)/Reduction(+) of inventories	-701 714	-258 911
Increase(-)/Reduction(+) of operating receivables	-489 115	852 972
Increase(+)/Reduction(-) of operating liabilities	-180 874	-454 654
Cash flow from operating activities	-308 657	1 033 183
<i>Investing activities</i>		
Acquisition of intangible assets	-2 728	-6 639
Acquisition of tangible assets	-237 674	-189 695
Disposals of tangible assets	2 742	521
Acquisition of financial assets	-9 233	-1 830
Disposals/reduction of financial assets	0	0
Cash flow from investing activities	-246 893	-197 643
<i>Financing activities</i>		
Long-term debt group companies	15 371	7 165
Dividend paid	-887 790	-1 263 775
Cash flow from financing activities	-872 419	-1 256 610
Cash flow for the year	-1 427 969	-421 070
Cash and cash equivalents at the beginning of the year	2 320 741	2 741 811
Cash and cash equivalents at the end of the year	892 772	2 320 741

Supplementary disclosures for the Cash Flow Statement

	2016-10-01 -2017-09-30	2015-10-01 -2016-09-30
<i>Interest paid and dividend obtained</i>		
Interest obtained	612	639
Interest paid	-11 806	-17 210
<i>Adjustment for items, not included in the cash flow, etc.</i>		
Unrealised currency exchange rate differences	-26 244	-90 964
Other provisions	-74 802	-39 408
Income tax related to previous year	966	-9 298
	-100 080	-139 670
<i>Cash and cash equivalents</i>		
The following components are included in the cash and cash equivalents:		
Cash in hand and at bank	3 909	303
Balance of group account within parent company	888 863	2 320 438
	892 772	2 320 741

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 performed, using the percentage of completion method. When calculating accrued profit, the degree of completion is calculated as 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 shorter 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 absence, 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	20 years
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 21 and 26.

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 30, 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.

Key ratio definitions

Adjusted equity

Equity plus untaxed reserves reduced by deferred taxes

Equity ratio

Adjusted equity as a percentage of balance sheet total

Estimates and assessments

Following important assessments and estimates have been made when applying the company's accounting principles:

Percentage of completion method

Since results in ongoing projects are calculated using the percentage of completion method it is important that these costs can be calculated on a reliable way. The forecast for the final results of the project is a critical assessment that is essential for reported earnings during the project. These forecasts are regularly evaluated during the lifetime of the project and adjusted as needed. There may be a risk that final results regarding projects may deviate from the previously progressively reported earnings.

Disputes

In the company's project-related activities, uncertainties surrounding contractual terms can lead to questions related to boundaries and dispute with customers. Actual results of disputed amounts may differ from those previously reported, as best assessment.

Note 2 Net sales

Net turnover per geographical market:

	2016/17	2015/16
Sweden	228 131	437 337
Europe, except Sweden	3 105 309	2 312 329
North and South America	1 984 273	1 828 479
Asia incl. the Middle East	3 696 450	4 444 508
Africa	166 092	478 696
Oceania	259 239	259 727
	9 439 494	9 761 076

Note 3 Other operating income

	2016/17	2015/16
Compensation from Group companies related to research and development	643 091	564 916
Compensation from insurance companies	35 903	47 488
Other	444 188	356 855
	1 123 182	969 259

Note 4 Audit fee

	2016/17	2015/16
<i>Ernst & Young</i>		
Auditing	-1 818	-1 777
	-1 818	-1 777

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. Auditing 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

Operating lease

	2016/17	2015/16
Leasing charged regarding operating lease agreement	-26 607	-25 474
Future minimum leasing fees concerning non-cancellable operating lease contracts		
Payable within one year	-13 768	-12 050
Payable between one and five years	-12 008	-13 305
	-25 776	-25 355

All leases are reported as operating leases in accordance with BFAR 2012:1 Chapter 20:29. The fiscal year lease expenses include property leases for properties in which operations are conducted, which amounts to 15 842 KSEK (16 236 KSEK).

Note 6 Employees and personnel costs

Average number of employees

	2016/17	2015/16
Men	2 058	2 041
Women	530	513
	2 588	2 554

Salaries and other compensations

Board and CEO	-5 166	-5 120
Other employees	-1 474 295	-1 418 199
	-1 479 461	-1 423 319

Bonuses to board and CEO are included with

-2 009 -2 122

Pensions and other social costs

Pension costs for board and CEO	-1 483	-1 384
Pension costs for other employees	-384 165	-376 562
Other social costs according to statutory and contractual	-310 157	-299 286
	-695 805	-677 232

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.

	2017-09-30	2016-09-30
<i>Gender distribution among leading management positions</i>		
Share of women in the board	25%	25%
Share of men in the board	75%	75%
Share of women among other leading management positions	21%	21%
Share of men among other leading management positions	79%	79%

During the last fiscal years the company has created a share program Siemens Profit Sharing for future dividends to other employees

Note 7 Purchases and sales between group companies

	2016/17	2015/16
Share of total purchases from other companies within the group	25%	23%
Share of total sales to other companies within the group	49%	37%

Note 8 Interest income and similar items

	2016/17	2015/16
Interest income from group companies	0	83
Other interest income	843	556
Exchange rate profits on financial receivables/liabilities	0	5 414
	843	6 053

Note 9 Interest costs and similar items

	2016/17	2015/16
Interest costs to group companies	-11 687	-17 676
Other interest costs	-495	-493
Exchange rate losses on financial receivables / liabilities	-638	0
	-12 820	-18 169

Note 10 Appropriations

	2016/17	2015/16
Difference between booked depreciation and depreciation according to plan		
- Machinery and equipment	23 000	-6 000
	23 000	-6 000

Note 11 Tax on the earnings of the year

	2016/17	2015/16
Current taxes relating to the period	-297 096	-244 336
Adjustment of current taxes for prior periods	966	489
Change of deferred tax concerning temporary differences	21 003	-5 790
Total income taxes	-275 127	-249 637

Reconciliation of effective tax rate

Income before tax	1 137 427	1 637 681
Tax according to current tax rate (22 %):	-276 091	-250 234
Tax effect of:		
Other non-deductible expenses	-4 179	-2 259
Other deductible expenses not booked	4 177	2 367
Current taxes attributable to prior years	966	489
Income tax	-275 127	-249 637
Effective tax rate	21,9%	21,9%

Note 12 Licenses

	2017-09-30	2016-09-30
Acquisition values at the start of the year	21 360	0
Acquisitions	2 885	5 915
Sales/Disposals	-214	0
Reclassifications	3 951	15 445
Accumulated acquisition value	27 982	21 360
Depreciation at the start of the year	-14 611	0
Sales/Disposals	54	0
Reclassifications	-3 948	-13 576
Depreciation according to plan	-2 808	-1 035
Accumulated depreciation	-21 313	-14 611
The book value at the end of the period	6 669	6 749

During previous year licenses were reclassified, which earlier were reported in capitalised expenditure for computer software.

Note 13 Land and buildings

	2017-09-30	2016-09-30
Acquisition values at the start of the year	651 974	651 139
Acquisitions	0	835
Acquisitions property regulation	117 975	0
Accumulated acquisition value	769 949	651 974
Depreciation at the start of the year	-171 716	-146 162
Sales/Disposals	0	0
Depreciation according to plan	-28 919	-25 554
Depreciation property regulation	-6 959	0
Accumulated depreciation	-207 594	-171 716
The book value at the end of the period	562 355	480 258

Note 14 Machinery and other technical equipment

	2017-09-30	2016-09-30
Acquisition values at the start of the year	1 604 305	1 493 477
Acquisitions	14 772	127 447
Sales/Disposals	-13 855	-16 619
Reclassifications	-136	0
Accumulated acquisition value	1 605 086	1 604 305
Depreciation at the start of the year	-1 072 798	-988 666
Sales/Disposals	13 723	15 540
Depreciation according to plan	-98 666	-99 672
Accumulated depreciation	-1 157 741	-1 072 798
The book value at the end of the period	447 345	531 507

Note 15 Equipment, tools and installations

	2017-09-30	2016-09-30
Acquisition values at the start of the year	586 678	539 610
Acquisitions	65 609	51 137
Sales/Disposals	-6 978	-4 069
Reclassifications	-3 815	0
Accumulated acquisition value	641 494	586 678
Depreciation at the start of the year	-460 039	-392 908
Sales/Disposals	6 604	4 057
Omklassificeringar	3 948	0
Depreciation according to plan	-58 808	-71 188
Accumulated depreciation	-508 295	-460 039
The book value at the end of the period	133 199	126 639

Note 16 Construction in progress and advance payments for tangible assets

	2017-09-30	2016-09-30
Acquisition values at the start of the year	149 022	138 746
Capital expenditure	245 208	196 334
Capitalization	-83 265	-186 058
The book value at the end of the period	310 965	149 022

Note 17 Participations in group companies

	2017-09-30	2016-09-30
Acquisition values at the start of the year	115 741	115 741
Liquidation	-115 741	0
The book value at the end of the period	0	115 741

Note 18 Participations in associated companies

	2017-09-30	2016-09-30
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 19 Other long-term financial investments

	2017-09-30	2016-09-30
Acquisition values at the start of the year	5 288	3 458
Addition of assets	824	4 155
Reduction of assets	-2 216	-2 325
The book value at the end of the period	3 896	5 288

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

	2017-09-30	2016-09-30
Opening Balance	7 226	13 197
Addition of tax assets	22 018	1 445
Reversal of tax assets	-381	-7 416
	28 863	7 226
Land and buildings	5 185	761
Warranty reserve	22 089	5 130
Endowment insurances	857	1 164
Special payroll tax on on endowment insurances	208	282
Other provisions	524	-111
The book value at the end of the period	28 863	7 226

The change between the years are reported as a deferred tax cost of -21 003 KSEK (5 790 KSEK) as well as against the fair value reserve in equity, -635 KSEK (181 KSEK).

See also note 11 Tax on profit for the year

Note 21 Derivative assets

	2017-09-30	2016-09-30
Outstanding derivatives to fair value		
Forward agreements	56 356	71 975
Embedded derivatives in contracts	97 611	133 031
The book value at the end of the period	153 967	205 006

Note 22 Accrued income not yet invoiced

	2017-09-30	2016-09-30
Construction contracts calculated with percentage of completion method		
Earned revenue	6 089 134	6 708 914
Invoiced amount	-4 768 411	-5 582 984
The book value at the end of the period	1 320 723	1 125 930
	0	0

Note 23 Number of shares

	2017-09-30	2016-09-30	2017-09-30	2016-09-30
	<i>Quoted value</i>	<i>Quoted value</i>	<i>Quantity</i>	<i>Quantity</i>
	100 SEK/pce	100 SEK/pce	300 000 pcs	300 000 pcs

Note 24 Untaxed reserves

	2017-09-30	2016-09-30
Tax allocation reserve deposited 2013	490 000	490 000
Accumulated excess depreciation	348 000	371 000
	838 000	861 000

Note 25 Provisions

	2017-09-30	2016-09-30
<i>Pensions and similar commitments</i>		
Amount at beginning of year	6 571	4 189
Provisions	487	4 707
Pensions paid	-2 216	-2 325
	4 842	6 571
<i>Other provisions</i>		
Amount at beginning of year	336 764	378 554
Provisions	192 049	251 236
Amount released	-187 294	-174 778
Amount reversed	-77 828	-118 248
	263 691	336 764
<i>Specification of other provisions</i>		
Warranty commitments related to construction contracts	144 050	141 843
Other provisions related to construction contracts	119 641	194 921
	263 691	336 764

Note 26 Derivative liabilities

	2017-09-30	2016-09-30
Outstanding derivative to fair value		
Forward agreements	120 873	163 326
Embedded derivatives in contracts	16 216	4 454
	137 089	167 780

Note 27 Invoiced but not accrued income

	2015-09-30	2014-09-30
Construction contracts calculated with percentage of completion method		
Earned revenue	-18 954 575	-19 409 466
Invoiced amount	20 478 347	21 049 194
The book value at the end of the period	1 523 772	1 639 728

Note 28 Accrued expenses and deferred income

	2017-09-30	2016-09-30
Accrued personnel costs	506 661	484 731
Accrued outstanding expenses for contracts	595 960	583 248
Other accrued expenses	3 276	2 392
	1 105 897	1 070 371

Note 29 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 30 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 of 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 2017-09-30 is detailed below. Exposure is defined as monetary assets and liabilities, as well as contracted flows.

(Net flow per currency and financial year)

<i>Table A</i>						<i>Table B</i>	
<i>Currency</i>	<i>2017/2018</i>	<i>2018/2019</i>	<i>2019/2020</i>	<i>2020/2021 and forward</i>	<i>Sum</i>	<i>Sum</i>	<i>Closing rate</i>
AED	-4,880	0,000	0,000	0,000	-4,880	-2,713	2,2253
AUD	4,852	0,000	0,000	0,000	4,852	-1,453	6,4007
CAD	15,338	0,000	0,000	0,000	15,338	16,175	6,5700
CHF	-0,168	0,000	0,000	0,000	-0,168	0,000	8,4219
CNY	0,000	0,000	0,000	0,000	0,000	0,000	1,2286
EUR	377,343	508,512	121,626	853,618	1 861,099	1 834,294	9,6490
GBP	-141,036	3,753	1,729	0,000	-135,554	-146,639	10,9424
HUF	7,722	48,636	0,000	0,000	56,359	56,358	0,0311
ILS	-0,269	0,000	0,000	0,000	-0,269	-0,158	2,3200
JPY	-107,576	0,000	0,000	0,000	-107,576	-107,518	7,2647
PLN	99,752	7,698	11,877	195,425	314,752	315,050	2,2418
SGD	0,072	0,000	0,000	0,000	0,072	-0,469	6,0190
THB	-1,503	0,000	0,000	0,000	-1,503	-1,502	0,2453
USD	55,511	100,405	34,400	24,821	215,137	232,627	8,1730
Sum	305,157	669,005	169,631	1 073,865	2 217,658	2 194,054	

The transactions exposure is 100 % secured by forward exchange contracts.

Table B shows the sum of forward hedges per currency in KSEK, which have been subscribed to cover the exposure as described transaction exposure in Table A. The exchange rate refers to the closing rate.

Note 31 Significant events after the balance sheet date

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

Note 32 Appropriation of profits	2017-09-30	2016-09-30
<u>Unrestricted equity</u>		
Retained profit	1 578 156	1 580 324
Result of the year	979 832	887 790
	2 557 988	2 468 114
<u>Appropriations of profits</u>		
Dividend to shareholders (3 266,11 SEK/share)	979 832	887 790
Off-set in the new account	1 578 156	1 580 324
	2 557 988	2 468 114

Finspång the 4th of December 2017

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

Erik Sandström
Authorised auditor