Siemens Industrial Turbomachinery AB
556606-6048

Annual Report

the financial year 1. October 2014 - 30. September 2015

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 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.

Significant events during the financial year and after its expiry
The company has in 2015 successfully handled the risks of terminating their relatively large and complex contracts in the Middle East. In doing so, the uncertainties of risk assessment for relevant contracts were considerably reduced and continuously throughout the year, the company has adjusted project forecasts for these contracts. One-off effects from these positive adjustments amounted to a considerable sum in 2015.

In 2015, Siemens decided to end up with all sales of impulse-based steam turbine technology, and shift the responsibility for plant operations to Austria. These two decisions have affected about 200 employees in the company and the majority of these employees have been given new tasks in the growing gas turbine business.

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. 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.
1 July 2015 the company utilized its option to acquire 100% of the shares in the company SKR Lager 20 KB. SKR Lager 20 KB, containing the properties that the company previously rented through financial leases, was acquired for 116 MSEK.

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, 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 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.

Also this year the market was characterized by structural changes through acquisitions and mergers by known actors. Siemens' acquisition of Dresser Rand was approved by the European Commission and is the latest example of mergers that will influence and change the conditions in markets relevant for the company.

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 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 622 624 KSEK (465 882 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 incurred during the financial year amounted to 424 904 KSEK (394 458 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 site is certified by Det Norske Veritas (DNV) according to the standards ISO 9001 (Quality), ISO 14001 (External Environment) and OHSAS 18001 (Working Environment).

Result and status (MSEK)	**2014/15**	**2013/14**	**2012/13**	**2011/12**
Order intake	11 693	10 782	13 559	11 472
Turnover	10 345	9 664	10 094	10 012
Result before financial items	1 656	1 594	1 856	939
Balance sheet total	9 948	10 657	11 176	12 278
Equity ratio (%)	38,3%	33,0%	38,1%	29,6%
Number of employees	2 597	2 662	2 739	2 738

Proposal for disposal of the company's profit
The board proposes that the profit is disposed of as follows (SEK):

Unrestricted equity	
Retained profit	1 579 682 226
Result of the year	1 263 775 463
Total	**2 843 457 689**
Profit disposal	
Dividend	1 263 775 463
Off-set in the new account	1 579 682 226
	2 843 457 689

Income statement

	Note	2014-10-01 -2015-09-30	2013-10-01 -2014-09-30
	1		
Net sales	2	10 345 403	9 663 576
Change of products in progress, finished goods and work in progress on the behalf of somebody else		179 801	-555 942
Other operating income		774 426	731 061
		11 299 630	**9 838 695**
Operating costs			
Raw materials and consumables		-4 101 563	-3 411 997
Other external costs	3,4	-2 914 244	-2 477 876
Personnel costs	5	-2 129 742	-2 085 638
Depreciations and write-downs for material and intangible fixed assets		-202 255	-198 905
Other operating costs		-295 391	-69 918
		-9 643 195	**-8 244 334**
Operating earnings	6	**1 656 435**	**1 594 361**
Results from financial items			
Interest income and similar items	7	2 128	23 499
Interest costs and similar items	8	-1 882	-1 671
		246	**21 828**
Income after financial items		**1 656 681**	**1 616 189**
Appropriations	9	-19 000	-346 000
Income before tax		**1 637 681**	**1 270 189**
Tax on the earnings of the year	10	-373 906	-276 907
Net income for the year		**1 263 775**	**993 282**

Balance sheet

	Note	2015-09-30	2014-09-30
ASSETS	33		
Fixed assets			
Intangible assets			
Capitalised expenditure for computer software	11	1 803	1 007
		1 803	**1 007**
Tangible fixed assets			
Land and buildings	12	504 977	531 272
Machinery and other technical equipment	13	504 811	563 107
Equipment, tools and installations	14	146 702	174 903
Construction in progress	15	138 746	45 745
		1 295 236	**1 315 027**
Financial fixed assets			
Shares in group companies	16	115 741	0
Shares in associated companies	17	50	50
Other long-term financial investments	18	3 458	3 294
Deferred tax	19	13 197	29 288
		132 446	**32 632**
Total fixed assets		**1 429 485**	**1 348 666**
Current assets			
Inventories etc.			
Raw materials and consumables		1 134 071	1 009 774
Goods being manufactured		1 732 017	1 552 216
Advances to suppliers		21 483	9 853
		2 887 571	**2 571 843**
Current receivables			
Trade account receivables		842 624	527 443
Receivables from group companies		586 312	173 224
Financial receivables in group companies		2 741 509	4 300 530
Derivative assets	20	270 935	258 028
Other receivables		225 522	206 613
Accrued income not yet invoiced	21	959 691	1 261 428
Prepaid expenses and accrued income	22	4 132	8 810
		5 630 725	**6 736 076**
Cash in hand and at bank	23	302	413
Total current assets		**8 518 598**	**9 308 332**
TOTAL ASSETS		**9 948 083**	**10 656 998**

Balance sheet

	Note	2015-09-30	2014-09-30
EQUITY AND LIABILITIES			
Shareholders´ equity	24		
Restricted equity			
Share capital (300,000 shares, quoted value 100 SEK/each)		30 000	30 000
Restricted reserves		269 100	269 100
		299 100	**299 100**
Non-restricted equity			
Retained earnings		1 579 682	1 571 332
Profit for the year		1 263 775	993 282
		2 843 457	**2 564 614**
Total Shareholders´ equity		**3 142 557**	**2 863 714**
Untaxed reserves	25	**855 000**	**836 000**
Provisions	26		
Provisions for other pensions and special payroll tax		4 189	4 101
Other provisions		378 554	384 131
		382 743	**388 232**
Long-term liabilities	27		
Liabilities to group companies		486	335
Other liabilities		8 395	
		8 881	**335**
Current liabilities			
Advances from customers		1 486 921	2 012 010
Trade account payables		748 245	650 130
Liabilities to group companies		34 268	33 907
Tax liabilities		73 445	89 285
Derivative liabilities	28	192 597	262 398
Other liabilities		408 000	663 129
Invoiced but not accrued income	29	1 556 229	1 714 461
Accrued expenses and deferred income	30	1 059 197	1 143 397
		5 558 902	**6 568 717**
TOTAL EQUITY AND LIABILITIES		**9 948 083**	**10 656 998**

MEMORANDUM ITEMS

	Note	2015-09-30	2014-09-30
Pledged assets	31	**None**	**105 000**
Contingent liabilities	32	**None**	**None**

Cash Flow Statement

	Note	2014-10-01 -2015-09-30	2013-10-01 -2014-09-30
Operating activities			
Income after financial items		1 656 681	1 616 189
Adjustments for items, not included in cash flow, etc.			
Depreciation and amortization		202 255	194 613
Gains and losses on disposals of fixed assets		4 037	2 580
Other adjustments to cash		-8 615	-82 537
		1 854 358	**1 730 845**
Income tax paid		-361 755	-397 676
Cash flow from operating activities prior to changes in working capital		**1 492 603**	**1 333 169**
Cash flow from changes in operating capital			
Increase(-)/Reduction(+) of inventories		-315 728	748 249
Increase(-)/Reduction(+) of operating receivables		-467 490	-259 095
Increase(+)/Reduction(-) of operating liabilities		-973 883	295 799
Cash flow from operating activities		**-264 498**	**2 118 122**
Investing activities			
Acquisition of shares in subsidiaries	16	-110 695	0
Acquisition of intangible assets		-1 188	-1 080
Acquisition of tangible assets		-186 626	-107 162
Disposals of tangible assets		517	6 003
Acquisition of financial assets		-164	0
Disposals/reduction of financial assets		0	479
Cash flow from investing activities		**-298 156**	**-101 760**
Financing activities			
Long-term debt group companies		151	302
Dividend paid		-996 629	-2 000 000
Cash flow from financing activities		**-996 478**	**-1 999 698**
Cash flow for the year		**-1 559 132**	**16 664**
Cash and cash equivalents at the beginning of the year		**4 300 943**	**4 284 279**
Exchange rate differences in cash and cash equivalents		**0**	**0**
Cash and cash equivalents at the end of the year		**2 741 811**	**4 300 943**

Supplementary disclosures for the Cash Flow Statement

	2014-10-01 -2015-09-30	2013-10-01 -2014-09-30
Interest paid and dividend obtained		
Interest obtained	1 969	17 814
Interest paid	-1 838	-1 560
Adjustment for items, not included in the cash flow, etc.		
Unrealised currency exchange rate differences	2 441	-56 077
Other provisions	-5 489	-31 483
Income tax related to previous year	-521	5 023
Other non-cash items	-5 046	0
	-8 615	**-82 537**
Cash and cash equivalents		
The following components are included in the cash and cash equivalents:		
Cash in hand and at bank	302	413
Balance of group account within parent company	2 741 509	4 300 530
	2 741 811	**4 300 943**

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).

First-time Application of BFNAR 2012:1 (K3)
This is the first time the company applies BFNAR 2012:1 Annual report and consolidated financial statements (K3). Prior years the Annual Accounts Act and the Swedish Accounting Standards Board´s General Advice were applied within the company.
In the transition to BFNAR 2012:1 (K3) the following accounting policy has changed in comparison with previous years:
A breakdown of components for buildings has been made which has resulted in changes in depreciation for the comparative year onwards.

Adjustments has been made for the comparative year financial statements and the opening balance sheet
Due to the transition to BFNAR 2012:1 (K3), adjustments were made for the comparison year´s income statement and balance sheet and these adjustments are shown below.

Balance sheet	Adopted Balance sheet 2014-09-30	Adjustments in transition to BFNAR 2012:1	Restated Balance sheet 2014-09-30
Intangible assets	1 007	0	1 007
Land and buildings	535 564	-4 292	531 272
Machinery and other technical equipment. Equipment, tools and installations	738 010	0	738 010
Construction in progress	45 745	0	45 745
Financial fixed assets	31 687	945	32 632
Total fixed assets	1 352 013	-3 347	1 348 666
Inventories etc.	2 571 843	0	2 571 843
Current receivables	6 736 489	0	6 736 489
Total current assets	9 308 332	0	9 308 332
Total Assets	10 660 345	-3 347	10 656 998
Shareholders´ equity	2 867 061	-3 347	2 863 714
Untaxed reserve	836 000	0	836 000
Provisions	388 232	0	388 232
Long-term liabilities	335	0	335
Current liabilities	6 568 717	0	6 568 717
Total Equity and liabilities	**10 660 345**	**-3 347**	**10 656 998**

Income statement	Adopted Income statement 2014	Adjustments in transition to BFNAR 2012:1	Restated Income statement 2014
Net sales	9 663 576	0	9 663 576
Other operating income	175 119	0	175 119
Total income	**9 838 695**	**0**	**9 838 695**
Raw materials and consumables	-3 411 997	0	-3 411 997
Other external costs	-2 477 876	0	-2 477 876
Personnel costs	-2 085 638	0	-2 085 638
Depreciations	-194 613	-4 292	-198 905
Other operating costs	-69 918	0	-69 918
Operating earnings	1 598 653	-4 292	1 594 361
Interest income and similar items	23 499	0	23 499
Interest costs and similar items	-1 671	0	-1 671
Income after financial items	1 620 481	-4 292	1 616 189
Appropriations	-346 000	0	-346 000
Tax on the earnings of the year	-277 852	945	-276 907
Net income for the year	**996 629**	**-3 347**	**993 282**

Group relationship
The company is a wholly-owned subsidiary company of Siemens International Holding N.V, the Netherlands.
Siemens International Holding N.V. is part of a group whose parent company Siemens AG with headquarters in Berlin and Münich, 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 it´s 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. Accrued, not invoiced income is stated at the amount expected to be invoiced and recognized in the "Accrued income not yet invoiced".

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".

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 4.

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 acquisiton 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 incure.

The following depreciation periods are used:

Intangible assets	
Computer programs	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 BFNAR 2012:1 Chapter 12th.

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 denomenated 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 20 and 28.

Hedge accounting
Future flows are secured by forward exhange 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 exhange 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 33, Financial instruments and financial risk management.

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 obsolenscence 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 acquistion 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

Note 2 Net sales

Net turnover per geographical market:

	2014/15	2013/14
Sweden	516 759	444 618
Europe, except Sweden	3 289 058	3 348 963
North and South America	839 622	1 098 621
Asia incl. the Middle East	5 227 345	3 169 888
Africa	369 609	1 136 411
Oceania	103 010	465 075
	10 345 403	**9 663 576**

Note 3 Audit fee

	2014/15	2013/14
Ernst & Young		
Auditing	1 919	1 931
	1 919	**1 931**

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 Leaseagreement - lessee

Operating lease

	2014/15	2013/14
Leasing charged regarding operating lease agreement	40 667	59 657
Future minimum leasing fees concerning non-cancellable operating lease contracts		
Payable within one year	11 716	36 965
Payable between one and five years	13 063	120 547
Payable later than five years	0	57
	24 779	**157 569**

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 33 289 KSEK (42 839 KSEK).

During the year the company SKR Lager 20 KB has been acquired, comprising the real estate which previously were rented by financial lease contracts.

Note 5 Employees and personnel costs

Average number of employees

	2014/15	2013/14
Men	2 077	2 130
Women	520	532
	2 597	**2 662**

Salaries and other compensations

Board and CEO	2 826	2 696
Other employees	1 375 676	1 347 646
	1 378 502	**1 350 342**
Bonuses to board and CEO are included with	1 250	568

Pensions and other social costs

Pension costs for board and CEO	763	686
Pension costs for other employees	357 368	348 211
Other social costs according to statutory and contractual	285 502	281 449
	643 633	**630 346**

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.

	2015-09-30	**2014-09-30**
Gender distribution among leading management positions		
Share of women in the board	11%	0%
Share of men in the board	89%	100%
Share of women among other leading management positions	22%	22%
Share of men among other leading management positions	78%	78%

Note 6 Purchases and sales between group companies

	2014/15	**2013/14**
Share of total purchases from other companies within the group	22%	23%
Share of total sales to other companies within the group	32%	40%

Note 7 Interest income and similar items

	2014/15	**2013/14**
Interest income from group companies	1 274	18 108
Other interest income	695	364
Exchange rate profits on financial receivables/liabilities	159	5 027
	2 128	**23 499**

Note 8 Interest costs and similar items

	2014/15	**2013/14**
Interest costs to group companies	-1 172	-924
Other interest costs	-710	-747
	-1 882	**-1 671**

Note 9 Appropriations

	2014/15	**2013/14**
Difference between booked depreciation and and depreciation according to plan		
- Machinery and equipment	-19 000	-346 000
	-19 000	**-346 000**

Note 10 Tax on the earnings of the year

	2014/15	2013/14
Current taxes relating to the period	-350 807	-275 104
Adjustment of current taxes for prior periods	-10 308	5 023
Change of deferred tax concerning temporary differences	-12 791	-6 826
Total income taxes	**-373 906**	**-276 907**

Reconciliation of effective tax rate

Income before tax	**1 637 681**	**1 270 189**
Tax according to current tax rate (22 %):	-360 290	-279 442
Tax effect of:		
Other non-deductible expenses	-3 348	-2 568
Other non-taxable income	39	80
Current taxes attributable to prior years	-10 308	5 023
Income tax	**-373 906**	**-276 907**
Effective tax rate	22,8%	21,8%

Change in deferred tax assets is specified in Note 19

Note 11 Capitalised expenditure for computer software

	2015-09-30	2014-09-30
Acquisition values at the start of the year	26 122	25 042
Acquisitions	1 188	1 080
Sales/Disposals	-12 589	0
Accumulated acquisition value	**14 721**	**26 122**
Depreciation at the start of the year	-25 115	-24 861
Sales/Disposals	12 589	0
Depreciation according to plan	-392	-254
Accumulated depreciation	**-12 918**	**-25 115**
The book value at the end of the period	**1 803**	**1 007**

Note 12 Land and buildings

	2015-09-30	2014-09-30
Acquisition values at the start of the year	653 430	609 262
Acquisitions	944	46 036
Sales/Disposals	-1 506	-1 868
Reclassifications	-1 729	0
Accumulated acquisition value	**651 139**	**653 430**
Depreciation at the start of the year	-122 158	-97 294
Sales/Disposals	1 506	628
Depreciation according to plan	-25 510	-25 492
Accumulated depreciation	**-146 162**	**-122 158**
The book value at the end of the period	**504 977**	**531 272**

Note 13 Machinery and other technical equipment

	2015-09-30	2014-09-30
Acquisition values at the start of the year	1 479 186	1 424 408
Acquisitions	42 737	76 614
Sales/Disposals	-28 446	-21 182
Reclassifications	0	-654
Accumulated acquisition value	**1 493 477**	**1 479 186**
Depreciation at the start of the year	-916 079	-841 545
Sales/Disposals	25 657	18 294
Depreciation according to plan	-98 244	-92 828
Accumulated depreciation	**-988 666**	**-916 079**
The book value at the end of the period	**504 811**	**563 107**

Note 14 Equipment, tools and installations

	2015-09-30	2014-09-30
Acquisition values at the start of the year	513 686	480 560
Acquisitions	51 670	32 656
Sales/Disposals	-25 746	-184
Reclassifications	0	654
Accumulated acquisition value	**539 610**	**513 686**
Depreciation at the start of the year	-338 783	-258 561
Sales/Disposals	23 983	109
Depreciation according to plan	-78 108	-80 331
Accumulated depreciation	**-392 908**	**-338 783**
The book value at the end of the period	**146 702**	**174 903**

Note 15 Construction in progress

	2015-09-30	2014-09-30
Acquisition values at the start of the year	45 745	93 977
Investments	187 811	108 154
Final activation	-96 539	-156 386
Reclassifications	1 729	0
The book value at the end of the period	**138 746**	**45 745**

Note 16 Shares in group companies

	2015-09-30	2014-09-30
Acquisition values at the start of the year	0	0
Acquisitions	115 741	0
The book value at the end of the period	**115 741**	**0**

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 17 Shares in associated companies

	2015-09-30	2014-09-30
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**
IUC Industriellt Utvecklingscentrum Öst AB, 556540-4638, Finspång	500	16%	50

Note 18 Other long-term financial investments

	2015-09-30	2014-09-30
Acquisition values at the start of the year	3 294	3 773
Addition of assets	164	0
Reduction of assets	0	-479
The book value at the end of the period	**3 458**	**3 294**

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 19 Deferred tax

	2015-09-30	2014-09-30
Initial Balance	29 288	29 488
Addition of tax assets	0	945
Reversal of tax assets	-16 091	-1 145
	13 197	**29 288**
Land and buildings	1 165	1 179
Warranty reserve	11 962	24 740
Other provisions	70	3 369
The book value at the end of the period	**13 197**	**29 288**

The change between the years are reported as a deferred tax cost of 12 792 KSEK (7 771 KSEK) as well as against the fair value reserve in equity, 3 299 KSEK (6 625 KSEK).
The deductible temporary differences fall due within one to two years an it is deemed likely that the company will be able to use them for deduction from future taxable profits.

See also Note 10 Tax on profit for the year

Note 20 Derivative assets

	2015-09-30	2014-09-30
Outstanding derivatives to fair value		
Forward contracts	87 630	127 564
Embedded derivatives in contracts	183 305	130 464
The book value at the end of the period	**270 935**	**258 028**

Note 21 Accrued income not yet invoiced

	2015-09-30	2014-09-30
Construction contracts calculated with percentage of completion method		
Earned revenue	8 610 714	9 057 068
Invoiced amount	-7 651 023	-7 795 640
The book value at the end of the period	**959 691**	**1 261 428**

Note 22 Prepaid expenses and accrued income

	2015-09-30	2014-09-30
Accrued income	0	657
Prepaid rental expenses	1 477	5 861
Other prepaid expenses	2 655	2 292
	4 132	**8 810**

Note 23 Cash in hand and at bank

	2015-09-30	2014-09-30
Cash in hand	302	413
	302	**413**

Note 24 Change of Shareholders´ equity

	Restricted equity		*Non-restricted equity*			
	Share equity	Reserve fund	Fair value reserve	Profit carried forward	Profit for the year	Total
Equity closing balance 2014-09-30 according to adopted balance sheet	**30 000**	**269 100**	**-11 945**	**1 583 277**	**996 629**	**2 867 061**
This years corrections in the transition to BFNAR 2012:1 (K3)						
Effect of new depreciation period on components					-3 347	-3 347
Equity closing balance 2014-09-30 corrected according to BFNAR 2012:1 (K3)	**30 000**	**269 100**	**-11 945**	**1 583 277**	**993 282**	**2 863 714**
Transfer of result prior year				993 282	-993 282	0
Transactions with owner:						
Dividend				-996 629		-996 629
Change for the year of cashflow hedge accounting*			11 697			11 697
Profit for the year					1 263 775	1 263 775
Equity closing balance 2015-09-30	**30 000**	**269 100**	**-248**	**1 579 930**	**1 263 775**	**3 142 557**

* 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

	2015-09-30	2014-09-30
Tax allocation reserve deposited 2013	490 000	490 000
Accumulated excess depreciation	365 000	346 000
	855 000	**836 000**

Note 26 Provisions

	2015-09-30	2014-09-30
Pensions and similar commitments		
Amount at beginning of year	4 101	4 698
Provisions	88	0
Reduction of provisions	0	-597
	4 189	**4 101**
Other provisions		
Amount at beginning of year	384 131	415 017
Provisions	166 205	205 614
Amount released	-96 419	-83 131
Amount reversed	-75 363	-153 369
	378 554	**384 131**
Specification of other provisions		
Warranty commitments	187 336	220 442
Other provisions related to construction contracts	191 218	163 689
	378 554	**384 131**

Note 27 Long-term liabilities

	2015-09-30	2014-09-30
Fall due between 1 and 5 years after balance sheet date		
Liabilities to group companies	486	335
Other liabilities	8 395	0
	8 881	**335**

Note 28 Derivative liabilities

Outstanding derivative to fair value	2015-09-30	2014-09-30
Forward contracts	186 703	251 843
Embedded derivatives in contracts	5 894	10 555
	192 597	**262 398**

Note 29 Invoiced but not accrued income

	2015-09-30	2014-09-30
Construction contracts calculated with percentage of completion method		
Earned revenue	-19 315 277	-18 356 658
Invoiced amount	20 871 506	20 071 119
The book value at the end of the period	**1 556 229**	**1 714 461**

Note 30 Accrued expenses and deferred income

	2015-09-30	2014-09-30
Accrued personnel costs	448 745	435 812
After costs reserve projects	608 841	705 967
Other accrued expenses	1 611	1 618
	1 059 197	**1 143 397**

Note 31 Pledged assets

	2015-09-30	2014-09-30
Commitments:		
Mortgages	0	105 000
Total pledged assets	**0**	**105 000**

Note 32 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 33 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 exhange 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 2015-09-30 is detailed below. Exposure is defined as monetary assets and liabilities, as well as contracted flows.

(Net flow per currency and financial year)

Tabell A						*Tabell B*	
Valuta	*2015/2016*	*2016/2017*	*2017/2018*	*2017/2018 och framåt*	**Summa**	***Summa***	*Bokslutskurs*
AED	-2,478	0,000	0,000	0,000	-2,478	-2,478	2,2866
AUD	-1,547	0,000	0,000	0,000	-1,547	-1,497	5,9027
EUR	1 402,879	-36,332	101,302	314,552	1 782,401	1 797,792	9,4083
GBP	244,301	32,115	10,281	19,107	305,805	308,700	12,7397
HUF	8,579	47,492	0,000	0,000	56,072	56,072	0,0300
JPY	-1,463	0,000	0,000	0,000	-1,463	-1,462	0,0699
PLN	761,438	47,906	68,048	193,419	1 070,812	1 070,812	2,2164
SGD	-0,643	0,000	0,000	0,000	-0,643	-0,993	5,9094
THB	-3,205	0,000	0,000	0,000	-3,205	-3,288	0,2311
USD	550,166	30,197	58,569	114,591	753,523	754,830	8,3980
Summa	2 958,029	121,379	238,200	641,670	3 959,278	3 978,486	

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 1st of December 2015

Wolfgang Konrad
Chairman

Hans Holmström
Cheif Executive Officer

Henry Fordell

Mikael Wiström
Unionen-representative

Kent Gustafsson
Metall-representative

Our annual report has been issued

Ernst & Young AB

Jan Birgerson
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 2014-10-01 - 2015-09-30.

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 Turbomachinery AB as of September 30, 2015 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 Turbomachinery AB for the year 2014-10-01 - 2015-09-30.

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 18, 2016

Ernst & Young AB

Jan Birgerson
Authorized public accountant