

Annual Report

for

Siemens Industrial Turbomachinery AB

556606-6048

Financial year
2017–10–01 – 2018–09–30

The Board 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 crowns (SEK)
All amounts are in KSEK unless otherwise is specified.

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 in Finspång and Trollhättan.

Significant events during the financial year

The company has during the past five years had a good 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.

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 oil market is that both markets are distributed and drive new technological issues and create the conditions for the suppliers to position itself on the market around more efficient energy conversion solutions with focus on the environment.

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 328 221 KSEK (595 095 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 702 873 KSEK (643 091 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).

Sustainability report

Siemens Industrial Turbomachinery AB refers to the parent company Siemens AG:s sustainability report for the entire Siemens group published at <https://www.siemens.com/global/en/home/company/sustainability>.

Multi-year overview (MSEK)	2017/18	2016/17	2015/16	2014/15
Order intake	10 745	11 609	11 910	11 693
Turnover	8 188	9 439	9 761	10 345
Result before financial items	1 039	1 244	1 156	1 656
Balance sheet total	9 352	9 166	9 296	10 218
Equity ratio (%)	36	38	37	37
Number of employees	2 621	2 588	2 554	2 597

Changes in Equity (KSEK)

	Share capital	Revaluat. reserve	Statutory reserve	Retained profit/loss	Profit/loss this year	Total
Opening balance 2017-10-01	30 000	269 100	-1 856	1 580 012	979 832	2 857 088
Transfer of result prior year				979 832	-979 832	0
Dividends				-979 832		-979 832
Change for the year of cashflow hedge accounting*			-10 120			-10 120
Profit for the year					1 210 919	1 210 919
Closing balance 2018-09-30	30 000	269 100	-11 976	1 580 012	1 210 919	3 078 054

* 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.

Proposals for profit allocation

The Board of Directors recommends that the profit/loss and brought forward profits available for disposition (SEK):

profit carried forward	1 568 035 436
profit for the year	1 210 918 566
	2 778 954 002

be distributed so that they are:

distributed to shareholders	828 718 000
carried over	1 950 236 002
	2 778 954 002

The Board of Directors has proposed to shareholders at the Annual General Meeting for the financial year 2017-10-01 - 2018-09-30 decide on a dividend of SEK 828,718,000. This opinion has been prepared in accordance with the provisions of Chapter 18, Section 4 of the Swedish Companies Act, and constitutes the Board's assessment of whether the proposed dividend is justified with regard to what is stated in Chapter 17, Section 3, second and third paragraphs of the Swedish Companies Act. The Board's assessment is that the size of the proposed dividend constitutes a satisfactory balance between the Group's capital structure and future growth opportunities. The Board's view is that the proposed dividend does not prevent the company and the other companies in the Group from fulfilling their obligations in the short and long term and can thus be defended with due regard to the Swedish Companies Act's so-called precautionary rule (Chapter 17, section 3 of the Swedish Companies Act 2005: 551).

Income Statement

KSEK

	Note	2017-10-01 -2018-09-30	2016-10-01 -2017-09-30
	1		
Net sales	2	8 188 385	9 439 494
Change of products in progress, finished goods and work in progress on the behalf of somebody else		1 165 613	555 271
Other operating income	3	1 121 380	1 123 182
		10 475 377	11 117 947
Operating costs			
Raw materials and consumables		-4 049 401	-4 469 790
Other external costs	4, 5	-2 737 403	-2 871 461
Personnel costs	6	-2 314 785	-2 284 231
Depreciations and write downs for material and intangible fixed assets		-189 817	-189 200
Other operating costs		-145 276	-59 131
		-9 436 681	-9 873 813
Operating earnings	7	1 038 696	1 244 134
Results from financial items			
Results from shares in group companies		0	-198
Interest income and similar items	8	6 270	843
Interest costs and similar items	9	-5 039	-12 820
		1 231	-12 175
Income after financial items		1 039 928	1 231 959
Appropriations	10	516 004	23 000
Income before tax		1 555 932	1 254 959
Tax on earnings of the year	11	-345 013	-275 127
Net income for the year		1 210 919	979 832

Balance Sheet

KSEK

Note
1

2018-09-30

2017-09-30

ASSETS

Fixed assets

Intangible fixed assets

Licenses	12	6 270	6 669
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Tangible fixed assets

Land and Buildings	13	533 688	562 355
Machinery and other technical equipment	14	477 460	447 345
Equipment, tools and installations	15	138 266	133 199
Construction in progress and advance payments for tangible assets	16	380 157	310 965
		1 529 570	1 453 864

Financial fixed assets

Shares in group companies	17	0	0
Shares in associated companies	18, 19	50	50
Other long-term financial investments	20	3 475	3 896
Deferred tax	21	25 595	28 863
Other long-term receivables		10 350	10 626
Total financial fixed assets		39 470	43 435
Total fixed assets		1 575 310	1 503 968

Current assets

Inventories etc.

Raw materials and consumables		1 596 619	1 508 216
Goods being manufactured		2 085 559	2 022 730
Finished goods and goods for sale		1 411 656	308 872
Advances to suppliers		6 451	8 378
Total inventories etc.		5 100 285	3 848 196

Current receivables

Trade account receivables		767 092	1 019 186
Receivables from group companies		417 944	183 490
Financial receivables in group companies		33 278	888 863
Derivative assets	22	294 381	153 967
Other receivables		282 012	237 739
Accrued income not yet invoiced	23	878 753	1 320 723
Prepaid expenses and accrued income		3 413	6 316
		2 676 873	3 810 284

Cash in hand and at bank

		0	3 909
Total current assets		7 777 158	7 662 389

TOTAL ASSETS

	9 352 468	9 166 357
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Balance Sheet

KSEK

Note
1

2018-09-30

2017-09-30

EQUITY AND LIABILITIES

Shareholders' Equity

Restricted equity

Share capital

24

30 000

30 000

Restricted reserves

269 100

269 100

299 100

299 100

Non-restricted equity

25

Retained earnings

1 568 035

1 578 156

Profit for the year

1 210 919

979 832

2 778 954

2 557 988

Total Shareholders' equity

3 078 054

2 857 088

Untaxed reserves

26

321 996

838 000

Provisions

27

Provisions for pensions and similar commitments

4 318

4 842

Other provisions

308 684

263 691

Total provisions

313 002

268 533

Long-term liabilities

Liabilities to group companies

3 916

23 022

Other liabilities

16 034

13 993

Total long-term liabilities

19 950

37 015

Current liabilities

Advances from customers

1 446 334

1 320 306

Trade account payables

632 986

763 143

Liabilities to group companies

302 133

26 174

Tax liabilities

139 613

50 261

Derivative liabilities

28

394 498

137 089

Other liabilities

159 535

239 079

Invoiced but not accrued income

29

1 562 547

1 523 772

Accrued expenses and deferred income

30

981 820

1 105 897

Total current liabilities

5 619 466

5 165 721

TOTAL EQUITY AND LIABILITIES

9 352 468

9 166 357

Cash Flow Analysis

KSEK

Note
1

2017-10-01
-2018-09-30

2016-10-01
-2017-09-30

Current activities

31

Profit after financial items

1 039 928

1 231 959

Adjustments for items not included in the cash flow

32

232 701

87 045

Income tax paid

-249 758

-255 958

Cash flow from operating activities before change in working capital

1 022 871

1 063 046

Cash flow from change in the working capital

Increase(-)/Reduction(+) of inventories

-1 252 089

-701 714

Increase(-)/Reduction(+) of operating receivables

275 192

-489 115

Increase(+)/Reduction(-) of operating liabilities

356 313

-180 874

Cash flow from operating activities

402 287

-308 657

Investment activities

Investments in intangible fixed assets

-2 300

-2 728

Change in financial assets

696

-9 233

Investments in tangible fixed assets

-263 515

-237 674

Sale of tangible fixed assets

2 276

2 742

Cash flow from investment activities

-262 843

-246 893

Financing activities

Long-term debt group companies

-19 106

15 371

Dividends paid

-979 832

-887 790

Cash flow from financing activities

-998 938

-872 419

Annual cash flow

-859 494

-1 427 969

Liquid assets, opening balance

892 772

2 320 741

Liquid assets, closing balance

33 278

892 772

Notes

KSEK

Note 1 Accounting and Valuation principles

General Information

The annual report is drawn up in accordance with the Swedish Annual Accounts Act (1995:1554) and Swedish Accounting Standards Board's Guidance BFNAR 2012:1 Annual Reporting and consolidated reports (K3).

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.

Revenue Recognition

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.

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.

Intangible fixed assets

Computer programs	3-5 years
Licences	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 12.

Derivative Instruments

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

The fair value of forward contracts and embedded derivatives is shown in note 22 and 28.

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.

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 34, Information about financial instruments.

Leasing Agreements

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.

Inventories

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.

Income Taxes

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

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.

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.

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.

Group information

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 the Swedish Annual Accounts Act Chapter 7 § 2 Section 1

Sustainability report

In accordance with Chapter 6, Section 10, second paragraph of the Swedish Annual Accounts Act, no sustainability report is prepared by the company. Sustainability report covering Siemens Industrial Turbomachinery AB is established by Siemens AG with its registered office in Berlin, HRB 12300, and Munich HRB 6684. The Sustainability Report is published on <https://www.siemens.com/global/en/home/company/sustainability>

Definition of Key Business Ratios

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

	2017-10-01 -2018-09-30	2016-10-01 -2017-09-30
Net turnover per geographical market:		
Sweden	276 368	228 131
Europe, except Sweden	2 830 748	3 105 309
North and South America	1 129 434	1 984 273
Asia incl. the Middle East	3 544 843	3 696 450
Africa	146 058	166 092
Oceania	260 934	259 239
	8 188 385	9 439 494

Note 3 Other operating income

	2017-10-01 -2018-09-30	2016-10-01 -2017-09-30
Compensation from Group companies related to research and development	702 873	643 091
Compensation from insurance companies	41 196	35 903
Other	377 311	444 188
	1 121 380	1 123 182

Note 4 Audit fee

	2017-10-01 -2018-09-30	2016-10-01 -2017-09-30
Ernst&Young		
Audit engagement	-1 871	-1 818
Audit activities in addition to the audit engagement	-83	0
	-1 954	-1 818

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 Lease agreement - lessee

Operating lease

The paid leasing fees for the year in respect of lease agreements amount to -25 528 KSEK (-26 607 KSEK).

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

	2017-10-01 -2018-09-30	2016-10-01 -2017-09-30
Within 1 year	-16 241	-13 768
Later than one year, but within five years	-17 682	-12 008
	-33 923	-25 776

All leases are reported as operating leases in accordance with BFNAR 2012:1 chapter 20.29. Included in the leasing costs for the financial year are rent for properties where the business is conducted, which amounts to 15 532 KSEK (15 842 KSEK).

Note 6 Employees and personnel costs

	2017-10-01 -2018-09-30	2016-10-01 -2017-09-30
Average number of employees		
Women	540	531
Men	2 081	2 057
	2 621	2 588
Salaries and other remunerations		
Board of Directors and Managing Director	-4 871	-5 166
Other employees	-1 484 544	-1 474 295
	-1 489 415	-1 479 461

Bonuses to the Board of Directors and CEO are included with -2 499 tkr (-2 009 tkr).

Social security expenses

Pension costs for the Board of Directors and the Managing Director	-1 537	-1 483
Pension costs for other employees	-413 923	-384 165
Other social security expenses pursuant to law and contracts	-327 466	-310 157
	-742 926	-695 805

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

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.

Gender distribution among leading management positions

Proportion of women in the Board of Directors	0 %	25 %
Proportion of men in the Board of Directors	100 %	75 %
Proportion of women among other leading management positions	23 %	21 %
Proportion of men among other leading management positions	77 %	79 %

Note 7 Purchases and sales between group companies

	2017-10-01 -2018-09-30	2016-10-01 -2017-09-30
Share of the total purchases from other companies within the group	22,49 %	25,00 %
Share of the total sales to other companies within the group	52,33 %	49,00 %

Note 8 Other interest income and similar items

	2017-10-01 -2018-09-30	2016-10-01 -2017-09-30
Interest income from Group companies	5 411	0
Other interest income	0	843
Exchange rate profits on financial receivables/liabilities	859	0
	6 270	843

Note 9 Interest costs and similar items

	2017-10-01 -2018-09-30	2016-10-01 -2017-09-30
Interest costs to group companies	-4 590	-11 687
Other interest costs	-449	-495
Exchange rate losses on financial receivables/liabilities	0	-638
	-5 039	-12 820

Note 10 Appropriations

	2017-10-01 -2018-09-30	2016-10-01 -2017-09-30
Machinery and equipment	26 004	23 000
Reversal of tax allocation reserve 2013	490 000	0
	516 004	23 000

Note 11 Tax on earnings of the year

	2017-10-01 -2018-09-30	2016-10-01 -2017-09-30
Reported tax		
Current taxes relating to the period	-339 110	-297 096
Adjustment of current taxes for prior periods	0	966
Change of deferred tax concerning temporary differences	-5 903	21 003
	-345 013	-275 127

Income before tax 1 555 932 tkr (1 254 959 tkr)

Reconciliation of effective tax rate

Tax according to current tax rate (22%)	-342 305	-276 091
Other non-deductable expenses	-2 181	-4 179
Other deductible expenses not booked	0	4 177
Revaluation of deferred tax	-527	0
Current taxes attributable to prior year	0	966
	-345 013	-275 127

Effective tax rate 22,17% (21,9%).

Note 12 Licenses

	2018-09-30	2017-09-30
Acquisition values at the start of the year	27 982	21 360
Acquisitions	2 300	2 885
Sales/Disposals	-5 488	-214
Reclassifications		3 951
Accumulated acquisition value	24 794	27 982
Depreciation at the start of the year	-21 313	-14 611
Sales/Disposals	5 488	54
Reclassifications		-3 948
Depreciation according to plan	-2 699	-2 808
Accumulated depreciation	-18 524	-21 313
The book value at the end of the period	6 270	6 669

Note 13 Land and buildings

	2018-09-30	2017-09-30
Acquisition values at the start of the year	769 949	651 974
Acquisitions	450	0
Acquisitions property regulation	0	117 975
Sales/Disposals	-209	
Accumulated acquisition value	770 190	769 949
Depreciation at the start of the year	-207 594	-171 716
Reclassifications	87	0
Depreciation according to plan	-28 995	-28 919
Depreciation property regulation	0	-6 959
Accumulated depreciation	-236 502	-207 594
The book value at the end of the period	533 688	562 355

Note 14 Machinery and other technical equipment

	2018-09-30	2017-09-30
Acquisition values at the start of the year	1 605 086	1 604 305
Acquisitions	133 049	14 772
Sales/disposals	-42 396	-13 855
Reclassifications	-2 027	-136
Internal Acquisitions	1 044	
Accumulated acquisition value	1 694 756	1 605 086
Depreciation at the start of the year	-1 157 741	-1 072 798
Sales/disposals	42 362	13 723
Reclassifications	692	0
Depreciation according to plan	-101 661	-98 666
Depreciation internal acquisitions	-948	0
Accumulated depreciation	-1 217 296	-1 157 741
The book value at the end of the period	477 460	447 345

Note 15 Equipment, tools and installations

	2018-09-30	2017-09-30
Acquisition values at the start of the year	641 494	586 678
Acquisitions	60 706	65 609
Sales/Disposals	-27 373	-6 978
Reclassifications	2 027	-3 815
Accumulated acquisition value	676 854	641 494
Depreciation at the start of the year	-508 295	-460 039
Sales/Disposals	26 861	6 604
Reclassifications	-692	3 948
Depreciation according to plan	-56 462	-58 808
Accumulated depreciation	-538 588	-508 295
The book value at the end of the period	138 266	133 199

Note 16 Construction in progress and advance payments for tangible assets

	2018-09-30	2017-09-30
Aquisition values at the start of the year	310 965	149 022
Capital expenditure	266 741	245 208
Capitalization	-197 549	-83 265
	380 157	310 965

Note 17 Participations in group companies

	2018-09-30	2017-09-30
Acquisition values at the start of the year	0	115 741
Liquidation	0	-115 741
	0	0

Note 18 Shares in associated companies

	2018-09-30	2017-09-30
Acquisition values at the start of the year	50	50
Accumulated acquisition values	50	50
The book value at the end of the period	50	50

Note 19 Specification of shares in associated companies

Name	Capital	No.of shares	Book value
CNG Curt Nicolin Gymnasiet Holding AB, 556540-4638, Finspång	16%	500	50 50

Note 20 Other long-term financial investments

	2018-09-30	2017-09-30
Acquisition values at the start of the year	3 896	5 288
Addition of assets	386	824
Reduction of assets	-807	-2 216
Accumulated acquisition value	3 475	3 896
The book value at the end of the period	3 475	3 896

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

Note 21 Deferred tax

	2018-09-30	2017-09-30
Land and buildings	5 085	5 185
Warranty reserve	14 534	22 089
Endowment insurance	764	857
Special payroll tax on endowment insurances	185	208
Other provisions	5 025	524
The book value at the end of the period	25 595	28 863

The change between the years are reported as a deferred tax cost of 5 903 KSEK (-21 003 KSEK) as well as against the fair value reserve in equity -2 635 KSEK (-635 KSEK).

See also note 11 Tax on earnings of the year

Note 22 Derivative assets

Outstanding derivatives to fair value	2018-09-30	2017-09-30
Forward agreements	84 614	56 356
Embedded derivatives in contracts	209 767	97 611
The book value at the end of the period	294 381	153 967

Note 23 Accrued income not yet invoiced

Construction contracts calculated with percentage of completion method

	2018-09-30	2017-09-30
Earned revenue	5 565 237	6 089 134
Invoiced amount	-4 686 484	-4 768 411
	878 753	1 320 723

Note 24 Number of shares and quota value

The number of shares amounts to 300 000 shares with a quota value of SEK 100 per share. Compared with previous year no change has occurred.

Note 25 Appropriation of profits

2018-09-30

Proposals for profit allocation

The Board of Directors recommends that the profit/loss and brought forward profits available for disposition:

profit carried forward	1 568 035
profit for the year	1 210 919
	2 778 954

be distributed so that they are:

distributed to shareholders	828 718
carried over	1 950 236
	2 778 954

Note 26 Untaxed reserves

2018-09-30 2017-09-30

Tax allocation reserve deposited 2013	0	490 000
Accumulated excess depreciation	321 996	348 000
	321 996	838 000

Note 27 Provisions

2018-09-30 2017-09-30

Pensions and similar obligations

Amount at beginning of year	4 842	6 571
Provisions	283	487
Pensions paid	-807	-2 216
	4 318	4 842

Other provisions

Amount at beginning of year	263 691	336 764
Provisions	225 275	192 049
Amount released	-105 472	-187 294
Amount reversed	-74 809	-77 828
	308 684	263 691

Specification of other provisions

Warranty commitments related to construction contracts	144 646	144 050
Other provisions related to construction contracts	164 039	119 641
	308 684	263 691

Note 28 Derivative liabilities

	2018-09-30	2017-09-30
Outstanding derivative to fair value		
Forward agreements	388 033	120 873
Embedded derivatives in contracts	6 465	16 216
	394 498	137 089

Note 29 Invoiced but not accrued income

	2018-09-30	2017-09-30
Construction contracts calculated with percentage of completion method		
Earned revenue	-17 608 011	-18 954 575
Invoiced amount	19 170 557	20 478 347
The book value at the end of the period	1 562 547	1 523 772

Note 30 Accrued expenses and deferred income

	2018-09-30	2017-09-30
Accrued personnel costs	513 686	506 661
Accrued outstanding expenses for contracts	463 000	595 960
Property tax	4 282	2 435
Other accrued expenses	851	840
	981 820	1 105 897

Note 31 Interest and dividends

	2018-09-30	2017-09-30
Interest received	1 069	612
Interest paid	-6 148	-11 806
	-5 079	-11 194

Note 32 Adjustments for items not included in the cash flow

	2018-09-30	2017-09-30
Depreciation and amortization	189 822	189 201
Unrealised currency exchange rate differences	0	-26 244
Profit upon sales of fixed assets	-1 590	-2 076
Other provisions	44 469	-74 802
Tax related to prior year	0	966
	232 701	87 045

Note 33 Significant events after the financial year

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

Not 34 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 Crowns (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 per currency expressed in KSEK as per 2018-09-30 is detailed below. Exposure is defined as monetary assets and liabilities, as well as contracted flows.

(Net flow per currency and financial year)

Table A					Table B	
	2018/2019	2019/2020	2020/2021	2021 and forward	Total	Total
AED	-485	0	0	0	-485	-727
AUD	0	0	0	0	0	0
CAD	-5 557	-4 790	0	0	-10 347	-9 581
CHF	0	0	0	0	0	0
CNY	-3 235	0	0	48 399	45 164	45 423
EUR	-73 194	61 854	243 292	907 192	1 139 145	1 005 128
GBP	-158 366	122 911	41 364	15 364	21 273	2 364
HUF	49 770	0	655	6 719	57 143	57 143
ILS	0	0	0	0	0	0
JPY	-6 159	-4 297	0	0	-10 456	-10 747
PLN	77 364	47 720	46 997	119 059	291 141	286 562
SGD	775	0	0	0	775	0
THB	-468	0	0	0	-468	0
USD	356 220	785 464	107 756	499 598	1 749 038	1 723 212
	236 665	1 008 862	440 064	1 596 331	3 281 923	3 098 777
Currency	Closing rate					
AED	2,4245					
AUD	6,4239					
CAD	6,8435					
CHF	9,1101					
CNY	1,2941					
EUR	10,3090					
GBP	11,8184					
HUF	0,0318					
ILS	2,4477					
JPY	0,0786					
PLN	2,4101					
SGD	6,5086					
THB	0,2753					
USD	8,9055					

The transactions exposure for significant flows are 100 % secured by forward exchange contracts.

Table B shows the sum of forward hedges per currency in KSEK. The exchange rate refers to the closing rate.

Note 35 Contingent liability

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

Hans Holmström
Chairman and CEO

Henry Fordell
Member of the Board

Jan Vestin
Employee representative Unionen

Kent Gustafsson
Employee representative Metall

Our auditor's report was submitted

Ernst & Young AB

Erik Sandström
Authorized Public Accountant



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Auditor's report

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

Report on the annual accounts

Opinions

We have audited the annual accounts of Siemens Industrial Turbomachinery AB for the financial year 2017-10-01 - 2018-09-30.

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 30 September 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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



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Report on other legal and regulatory requirements

Opinions

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

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

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

Stockholm 10 December 2018

Ernst & Young AB

Erik Sandström
Authorized Public Accountant