SIEMENS
Ingenuity for life

Annual report 2019 Siemens AS

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Translation Only

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Siemens AS

Auditor’s report

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Changes create opportunities

Globally, Siemens continues to deliver strong results. In the Nordic region we also achieved our ambitious growth target, and we are pleased to note investment growth and increased demand for our expertise and technology within the energy, industry and infrastructure markets.

In Norway, Siemens AS has seen strong growth in order intake and a solid improvement in profits. Norway is a pioneering country in the field of electrification, and we are seeing increasing interest in the market for sustainable solutions, increased efficiency and green energy. Demand for our electrical solutions for the maritime and offshore sector has also increased this year, and in January we opened our new battery factory in Trondheim which will supply this sector.

Ever-increasing climate challenges require a change in our lifestyle, our consumption and not least our manufacturing. At Siemens, we believe that digitisation and electrification are important answers to the challenges of achieving the demanding climate targets which the world faces.

Siemens aims to become a net carbon neutral company by 2030. Technology from Siemens also helps our customers substantially reduce their CO_2 emissions. Our new battery factory in Trondheim is a strong contribution to the green shift, and will help create value and jobs in Norway. The factory produces battery modules for the electrification of ships and offshore rigs, and was opened by Prime Minister Erna Solberg in January 2019. Over the past year, we have equipped a number of new vehicle and passenger ferries with battery solutions, including Color Hybrid which operates the Sandefjord Strømstad route. A secure and robust electrical infrastructure will be crucial to our welfare, value creation and to achieving the climate targets. We must transport and utilize energy in a smarter and more efficient way and here digital solutions and IoT are crucial. Together with power supplier Glitre Energi Nett, we are developing a digital transformer station that will contribute to higher security, fewer faults and a more efficient power grid.

Construction accounts for 40% of the world's energy consumption. With intelligent and digital solutions, buildings have become an important part of urban development. In Trondheim, the renowned Britannia Hotel takes pride of place in the cityscape, and Siemens AS has provided sustainable and modern solutions that both increase guest comfort and reduce energy consumption.

The world is constantly changing and as a company Siemens must adapt to the new reality. For us at Siemens AS, this means a change that can be compared to Siemens moving from operating as a large flagship to becoming a fleet of powerful and fast smaller vessels. In the spring of 2019, Siemens announced that at the global level it will phase out its so-called Gas and Power business in the same way as has already been done with Siemens Mobility, Siemens Gamesa and Siemens Healthineers. The new company will be named Siemens Energy, and will be a strong player in the global energy market with around EUR 30 billion in revenue and 88,000 employees. This separation will be undertaken as a reverse demerger in Norway (see notes 2 and 27), and allows our business areas to focus even more strongly on their special fields.

Annual Report

Social responsibility and sustainability

Sustainability is at the core of our business activities and expertise. “Ideas alone have little value. An innovation’s importance lies in its practical implementation,” said our founder Werner von Siemens. Through innovative solutions, Siemens contributes to resolving the major challenges faced by the world while also ensuring sustainability, long-term profitability and value creation.

Every year, technology from Siemens reduces large amounts of CO_2 for our customers. In 2018, we contributed to a reduction of 609 million tonnes. The Siemens Group aims to be the world’s first major industrial company to have a net zero carbon footprint by 2030. The plan is to halve emissions by 2020. We are already well on our way to achieving this goal, by focusing on investment in energy efficiency projects, the establishment of infrastructure solutions for electric transport, distributed energy systems and the use of renewable energy.

Market

The positive trends in the marine, oil and gas market resulted in a relatively high level of activity in 2019. The industry has been challenged to take smart measures to increase productivity and profitability in its solutions and products, while society is setting more stringent requirements for lower environmental emissions and zero emission solutions. Operators and suppliers are working together more closely than ever before to find good and sustainable solutions in the short and long term.

The industry can generally see rising demand for energy-efficient and smart digital solutions. Technology development and innovative solutions are key factors in maintaining the competitiveness of Norwegian industry. Major investments are taking place in upgrading Norway’s national and regional power grid. The investments will ensure a more robust and secure power supply, enhance industry’s competitiveness, and facilitate the sale of power across national borders.

Norway faces enormous major investments in transport and infrastructure in the years ahead. To a greater extent than before, politicians are setting an agenda for low-emission or zero-emission solutions, as a consequence of the Paris Climate Agreement. Population growth in the largest cities requires increased transport capacity, while transport users demand greater reliability, user-friendliness and, not least, lower environmental emissions in large towns and cities.

Technology development

In order to keep up with the higher pace of change in the market and develop and accelerate novel ideas for new technology, the Siemens Group has established a separate company, Next47. This company is also represented in the Nordic region by its presence in Stockholm Since the 1990s, Siemens has collaborated with start-ups and works closely with various research environments and major universities all over the world.

As part of a global company, the activities in Norway gain expertise and innovative solutions from this network. In global terms, Siemens invests an estimated EUR 5.2 billion annually in research and development. This includes close to 44,500 employees all over the world.

In Norway, we hold global responsibility for developing solutions within power electronics for subsea oil production, as well as automation and equipment packages for offshore installations. We develop diesel-electrical and fully-electrical propulsion systems for ships and ferries. To strengthen our market position and supplement our electrical solutions, we established a new battery factory in Trondheim in 2019.

During the 2019 fiscal year, Siemens AS invested NOK 95.3 million in research and development.

Organisation

The Siemens Group assesses and adjusts its structure and business strategies in line with society’s development, and in order to meet the needs of the market and our customers. In order to strengthen our position in the global energy market, the Siemens Group, at a global level, decided to spin off and establish one of the world’s largest energy companies

“Siemens Energy” in 2020. The transaction is to be carried out as a reverse demerger in Norway (see notes 2 and 27). The business areas within marine, oil and gas operations including Subsea, as well as transmission systems, will be part of what will be called *Siemens Energy AS*. Digital Industries, Smart Infrastructure and Large Drives Automation Application will be spun off into a new company on March 1, 2020. The company will be named *Siemens AS*.

The planned merger of Siemens Mobility and Alstom was rejected by the European Commission under its competition policy. Siemens Mobility AS continues as an independent company in Norway.

CEO Anne Marit Panengstuen resigned from the company on 30 September 30 2019, and the company’s CFO Kjell Pettersen was appointed acting CEO from the same date.

Employees of Siemens AS

One of the Siemens Group’s strategic ambitions is to develop a stronger innovation and change culture. Our culture shall be characterised by ownership, equality, respect and mutual trust, and this is vital to ensuring a good and innovative working environment. There is zero tolerance for discrimination and bullying.

The expertise of employees and managers is vital to the achievement of our goals and business strategies. We facilitate the continuous development of our employees’ skills and expertise, and also bring in new expertise in step with increasing requirements. Digitisation of our work tools is an important factor in realizing our business strategy, and in building expertise in IT, network security and digitalisation.

Our aim is to increase the proportion of women in management, project management and key positions in general. As in most technical industries, the gender distribution is still uneven. After focusing on recruiting women, we saw a slight increase from last year to a proportion of 18% women. At the close of the year, Siemens AS had 1,491 employees, an increase of 55 employees from the previous year. There are also nine apprentices in vocational training. Once again there is an upturn in the market and there is a growing need to hire personnel. The average age at Siemens AS is 44.5 years.

Health, safety and the environment (HSE)

Siemens AS focuses on a zero injury philosophy to prevent accidents and ensure that no work-related injuries, illnesses or accidents are ignored. We work continuously to prevent accidents and injuries. The safety of each employee is taken seriously by both managers and employees themselves. In 2019 Siemens introduced a common reporting system for HSE incidents on a global basis.

The company's injury ratio (number of lost-time injuries per million hours worked) amounted to 0.4 in 2019, compared to 0.8 in 2018. During the past financial year there were no serious accidents that resulted in the permanent injury of any employee. Absence due to illness in the 2019 financial year was 2.8 percent, compared to 2.4 percent in 2018.

Siemens AS has no direct pollution of the air, water or soil, and generally uses very few polluting chemicals in its production. Siemens is a member of Renas and Batteriretur, which handle returned electrical and electronic items. The company is also a member of Grønt Punkt, which handles recycling schemes for several types of packaging.

Profit development

During the 2019 fiscal year, Siemens AS signed contracts for a value of NOK 4,920 million, compared to NOK 11,602 million in 2018. 2018 was a special year in which Siemens AS entered into its largest contract to date, and shortly after the contract was signed by ERMTS, this Mobility Division was spun off with effect from 1 July 2019. The new company, Siemens Mobility AS, is 100% owned by the Siemens Group and handles business activities for transport and infrastructure.

In total, Siemens AS had a 14% increase in order intake in 2019, based on comparable conditions. We are experiencing strong growth in most business units in 2019, particularly driven by the rise in the oil and gas market.

The financial year ended with an order book of NOK 3,391 million for Siemens AS.

Total sales revenue in 2019 amounted to NOK 4,890 million, an increase of NOK 962.6 million or 24.5% compared with the previous financial year. The increase in sales revenue is a consequence of the high level of activity in most business areas. Operating profit in 2019 ended at NOK 148.1 million, NOK 178.4 million higher than in 2018. Siemens AS is now seeing the results of the restructuring measures and improvements in efficiency implemented in recent years to improve the financial situation.

Profit after tax in 2019 amounted to NOK 89.3 million, an increase of NOK 118.5 million from NOK -29.3 million in the previous fiscal year.

The Board of Directors supports the measures taken to develop the company in line with market changes and better results. We would like to thank all employees for their dedication and efforts in a challenging year.

Financial conditions

Equity as at 30 September 2019 amounts to 16.5 percent of the total balance sheet. The company has adequate equity and satisfactory liquidity.

As a consequence of the company's international operations, there is a currency risk with regard to the value of future cash flows and balance sheet positions in foreign currencies. These are handled through Siemens Financial Services GmbH, which manages the currency risk for the entire Siemens Group and serves as counterparty to Siemens AS' foreign exchange contracts.

The financing of Siemens AS is performed entirely through the Siemens Group's internal bank, Siemens AG. As at 30/09/2019, Siemens AS has a commitment of NOK 485.1 million to Siemens AG concerning the Group cash pool system. As at 30/09/2019, the Board of Directors sees little risk related to the company's future liquidity situation.

Cash flow

Cash flow from operations in 2019 amounted to NOK 69.1 million, a strong increase of NOK 105.4 million from the previous year.

Siemens AS is part of a Group cash pooling system. The company's available funds in this system are not defined as cash, but as current receivables in the Group cash pooling system. In practice, however, these funds can be regarded as deposits.

Continued operations

The Board of Directors confirms that the basis for continued operations is present, see Section 3-3a of the Norwegian Accounting Act. The annual financial statements are presented on the basis of the going concern assumption and in the view of the Board of Directors present a true and fair view of the company's development and results for the financial year and its financial position as at 30 September 2019.

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Allocation of the result for the year

In the 2019 financial year, Siemens AS achieved a result of NOK 89.3 million after tax. The Board of Directors proposes the following allocations (in NOK million) to the accounts for the year:

Result for the year	89.3
Paid as dividend	89.3

This is not reflected in the accounts for the 2019 financial year.

Oslo, 27.01.2020
The Board of Siemens AS

Per Mikael Gustaf Leksell Chairman of the board	Kjell Åge Pettersen Board member and CEO	Jaana Maria Kupila Board member
Roy Lund Board member	Børge Tjelta Board member	Oddrun Bjørnås Board member

Statement of comprehensive income

01.10 - 30.09.

(Amounts in NOK 1,000)	Note	2019	2018
Sales revenue	2	4,890,244	3,927,625
Other operating revenue	3	66,534	58,880
Total operating revenue		**4,956,778**	**3,986,505**
Cost of sales	11	2,398,322	1,675,505
Payroll expenses	4	1,621,345	1,591,406
Depreciation and amortisation	8, 9	53,147	49,906
Bad debts	12	4,085	-8,254
Other operating expenses	5	731,818	708,231
Total operating expenses		**4,808,717**	**4,016,794**
Operating profit/loss		**148,061**	**-30,289**
Net interest expenses and other financial expenses	6	-29,843	-7,949
Profit before tax		**118,218**	**-38,238**
Income tax expense	7	-28,960	8,988
Net profit for the year	15	**89,258**	**-29,250**
Items that cannot be reclassified through the income statements of later periods			
Actuarial losses on defined benefit plans	16	-5,440	7,167
Tax related to items that will not be reclassified		-1,948	-4,865
Items that may be reclassified through the income statements of later periods			
Change in the fair value of hedging instruments relating to cash flow hedges		2,894	-3,522
Tax related to items that can be reclassified		-781	701
Total other revenue and expenses		**-5,275**	**-519**
TOTAL COMPREHENSIVE INCOME		**83,984**	**-29,769**

Balance Sheet

ASSETS as at 30.09.

(Amounts in NOK 1,000)	Note	2019	2018
Fixed assets			
Customer portfolio		7,266	11,855
Technology		2,346	6,367
Other intangible assets		267	726
Goodwill		543,673	543,673
Total intangible assets	8	553,552	562,621
Land, buildings and other real estate		131,852	141,451
Plant and machinery		117,423	125,649
Fixtures and fittings, equipment and tools		16,886	27,299
Total tangible assets	9	266,161	294,399
Deferred tax asset	7	76,018	107,706
Other non-current receivables	10, 20	9,212	12,427
Total financial fixed assets		85,229	120,133
Total fixed assets		904,942	977,152
Current assets			
Inventories	11	199,751	122,191
Accounts receivable	12, 20	776,205	657,743
Other current receivables	14, 20	482,335	572,137
Total receivables		1,258,540	1,229,880
Total current assets		1,458,291	1,352,071
TOTAL ASSETS		2,363,233	2,329,223

Balance Sheet

EQUITY AND DEBT as at 30.09.

(Amounts in NOK 1,000)	Note	2019	2018
Equity			
Share capital		128,798	128,798
Share premium reserve		27,599	27,599
Other equity		233,686	149,704
Total retained earnings		**233,686**	**149,704**
Total equity	15	**390,083**	**306,101**
Liabilities			
Pension liabilities	16	62,343	60,914
Total provisions for liabilities		**62,343**	**60,914**
Other non-current liabilities	17, 20	154,446	146,098
Total other non-current liabilities		**154,446**	**146,098**
Accounts payable	20	336,010	252,476
Public duties payable		177,316	218,408
Advances from customers	20	8,128	11,292
Guarantee provisions		43,386	42,570
Current liabilities to Group companies	13, 20	485,057	538,690
Other current liabilities	18, 20	706,464	752,674
Total current liabilities		**1,756,361**	**1,816,110**
Total liabilities		**1,973,150**	**2,023,122**
TOTAL EQUITY AND LIABILITIES		**2,363,233**	**2,329,223**

Oslo, 27.01.2020
The Board of Siemens AS

Per Mikael Gustaf Leksell
Chairman of the board

Kjell Åge Pettersen
Board member and CEO

Jaana Maria Kupila
Board member

Roy Lund
Board member

Børge Tjelta
Board member

Oddrun Bjørnås
Board member

Cash flow statement

Presentation of cash flow 01.10. - 30.09.

(Amounts in NOK 1,000)	Note	2019	2018
Cash flow from operating activities			
Profit before tax		118,218	-38,238
Taxes paid for the period		4,559	10,928
Ordinary depreciation/amortisation	8, 9	53,147	49,906
Loss/gain on disposal of fixed assets		-392	0
Changes in inventory, accounts receivable and accounts payable	11, 12	-112,488	92,788
Differences between expensed pensions and contributions/disbursements in pension schemes	16	-4,011	-11,423
Changes in other accruals	8, 13, 17	10,051	-140,306
Net cash flow from operating activities		69,084	-36,345
Cash flow from investing activities			
Acquisitions of tangible assets		1,881	-62,120
Acquisitions of tangible assets	9	-17,332	150
Net cash flow from investing activities		-15,451	-61,970
Net cash flow from financing activities			
Change in intra-Group balances in the Group cash pooling system	13	-53,633	104,016
Cash flow related to demerged company	15	0	-5,700
Net cash flow from financing activities		-53,633	98,315
Net change in cash and cash equivalents		0	0
Cash and cash equivalents at 01.10.		0	0
Cash and cash equivalents at 30.09.		0	0

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Note 1 Accounting principles

General

The company prepares the annual accounts in accordance with Section 3-9 of the Norwegian Accounting Act and the Regulation on simplified application of International Financial Reporting Standards (IFRS) established by the Ministry of Finance on 3 November 2014. This in principle entails that recognition and measurement follow International Financial Reporting Standards (IFRS) and the presentation and note disclosures are in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

The annual accounts consist of the statement of comprehensive income, balance sheet, cash flow statement and disclosures in the notes. The annual report and financial statements consist of the report from the Board of Directors, financial statements and auditor's report.

Siemens AS uses a non-calendar financial year that runs to 30 September. All figures are stated in thousands of NOK, unless otherwise specified.

Simplified IFRS

The company has not applied any simplifications from the recognition and valuation rules in IFRS.

Basis for preparation of the annual accounts

The company accounts have been prepared under the historical cost convention, with the exception of the following accounting items: Financial instruments at fair value through the income statement, financial instruments available for sale that are reported at fair value. Dividends are recorded in the period when they are adopted.

Currencies

Foreign currency transactions are translated using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated to NOK at the exchange rates on the balance sheet date. Non-monetary items that are recorded at historical exchange rates expressed in foreign currency are translated to NOK using the exchange rate prevailing on the transaction dates. Non-monetary items that are recorded at fair value expressed in foreign currency are translated using the exchange rates determined on the balance sheet date. Exchange rate fluctuations are recognised in the income statement on an ongoing basis and are presented in the accounts as financial income or financial expenses.

Principles for revenue recognition

General

The IFRS accounting standard IFRS 15 "Revenue from contracts with customers" was issued in May 2014. The standard establishes a five-step model to book revenue from contracts with customers. Siemens AS implemented IFRS 15 "Revenue from contracts with customers" as from 1 October 2017 (2018 financial year) using the retrospective method. The 2017 financial year was used as a transition year.

Revenue recognition is based on the fundamental principle that companies must recognise revenue so that the expected remuneration is recognised according to a pattern which reflects the transfer of goods or services to the customer. Sales revenues are disclosed net of value added tax and discounts. Revenue from sale of goods is recognised when the delivery obligations have been fulfilled, i.e. when control of the contracted goods or services has been transferred to the customer. On the sale of services and long-term manufacturing projects, control is transferred over time, and income is recognised in step with deliveries to the customer. See the separate section concerning accounting of long-term manufacturing contracts. Interest income is recognised on the basis of the effective interest method as it is earned.

Long-term manufacturing contracts

Siemens' activities mainly consist of ongoing projects with a duration ranging from a few months to three or four years. Revenues and expenses are recognised through the income statement based on the percentage of completion of the project. This is calculated as the expenses accrued as a percentage of the total estimated expenses. Expenses and profit are estimated on an accruals basis and the percentage of completion is updated for each accounting period, which at Siemens means on a monthly basis. In the event of doubt, a best estimate is used.

The relevant share of the expected profit is recognised through the income statement on an accruals basis using the best estimate principle. The profit for individual projects is estimated each month prior to recognising the accrued share of the expected profit. For projects that are expected to result in a loss, the whole loss is charged as soon as it is known. Balance sheet items related to manufacturing contracts are presented gross on the balance sheet. Contract income which has not been billed is shown as contract assets under other receivables.

Expenses in manufacturing contracts that, as at the balance sheet date, are not included in the calculation of the percentage of completion, are carried as an asset in the balance sheet under other receivables. Advance invoicing is calculated as the accrued income in the contract less invoicing. Advance invoicing of contracts is presented as a contract obligation under other current liabilities and is not netted against other receivables.

When they are signed, additional orders that are not deemed to be a separate contract are taken into account in the contract's planned revenue. For projects where there is

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an obligation to continue working, expenses incurred on unsigned, but probable additional orders are recognised temporarily as an asset in the balance sheet. If there is significant uncertainty regarding a customer's solvency, costs are recognised as they are accrued and revenue is only recognised when payment has been received. Provisions are made for guarantee work and other areas of uncertainty. Past experience tells us that for some projects, disagreement with the client may arise with regard to the interpretation of contracts and additional work. In such cases, claims and counter-claims are made which are usually settled through negotiation, court cases or arbitration. These cases are included in the accounts according to a best estimate.

Other contracts
For projects that are not defined as long-term manufacturing contracts, the "completed contract method" is applied to income recognition. Accrued costs are then capitalised as contract assets under other receivables and are recognised together with revenue when the customer gains control of the product or service.

Service contracts
Service contracts are recognised as the services are provided.

Borrowing costs
Borrowing costs are recognised as an expense when incurred. Borrowing costs are capitalised to the extent that they are related directly to the production of a fixed asset. The interest expenses accrue during the construction period until the fixed asset is capitalised. Borrowing costs are capitalised until the date on which the fixed asset is ready for use. If the cost price exceeds the fair value of the fixed asset, the value will be written down.

Classification of balance sheet items
Assets and liabilities relating to the business cycle, and items that fall due for payment within one year of the balance sheet date, are classified as current assets or current liabilities. Current assets and current liabilities are measured at the lower/higher of cost and fair value. The fair value of current assets is defined as the estimated future selling price less the anticipated cost of disposal. Other assets are classified as fixed assets. Fixed assets are valued at cost.

Fixed assets with a limited useful life are depreciated over their expected useful life. Fixed assets are written down to fair value in the event of a reduction in value that is not expected to be temporary. Write-downs are reversed if the reason for the write-down no longer exists.

Receivables
Accounts receivable are valued at their face value at the balance sheet date less provisions for estimated losses.

Inventories
Inventories of purchased goods are valued at the lower of average cost or expected net selling price. Obsolete goods are written down to expected future selling price. Raw materials and goods in process, as well as work in progress, are booked at the lower of the complete manufacturing cost or expected net selling price. The manufacturing cost includes direct and indirect costs, including the share of fixed manufacturing costs.

Use of estimates
On preparing the financial statements the management are required to make judgements, estimates and assumptions when applying the company's accounting principles. Even though the estimates are based on management's best judgement at the relevant time, the actual results may deviate from these estimates and underlying assumptions. Larger estimates are related to the allocation of fair values for acquisitions, determining lead times for the possession of tangible assets and intangible assets, as well as recognised provisions, and on determining pension liabilities. The basis for the estimates is described in more detail in these accounting principles and elsewhere in the pertinent notes to the annual accounts.

Contingent outcomes
Contingent losses that are probable and measurable are expensed

Forward currency contracts
The company has adopted IFRS 9 retrospectively from 1 October 2018 and has not adjusted comparative figures for the previous financial year in accordance with the transitional provisions of IFRS 9. IFRS 9 introduces an approach for classifying and measuring financial assets according to their cash flow and the business model in which they operate. This provides a new write-down model based on expected credit losses. IFRS 9 also includes new regulations on the use of hedge accounting to better reflect the company's risk management activities, especially with regard to the management of non-financial risks. The company has used the simplified impairment model to calculate expected credit losses over the life of accounts receivable, contract benefits and leasing receivables. Existing hedge accounting conditions have also met the requirements for hedge accounting under IFRS 9. The implementation of IFRS 9 has not had a material impact on the company

Siemens AS hedges cash flows from contracts signed in foreign currency as part of its risk management strategy. Forward contracts are measured at fair value on the balance sheet date. The effectiveness of the hedge is monitored and documented in accordance with the rules on hedge accounting. If the requirements for the use of hedge accounting are no longer met, the hedged item and the hedge instrument are measured separately using the relevant accounting rules.

When hedging cash flows (Cash Flow Hedge Accounting) unrealised gains and losses on the hedging instrument are recognised in equity. Deferred tax on the provision is recognised directly in equity. Fair Value Accounting is used for other hedging contracts. Unrealised gains and losses on the hedging instrument are recognised through the income statement on a monthly basis.

Tangible and intangible fixed assets

Tangible and intangible assets are measured at cost less accumulated depreciation and write-downs. Tangible and intangible assets are measured at the lower of cost and fair value. Plant and equipment with a useful life of less than three years or a cost price of under NOK 15,000 are expensed in the acquisition year. Costs relating to normal maintenance and repairs are expensed as they arise under operating expenses. The cost of significant improvements to an asset, which are expected to increase future value and profit, are capitalised and depreciated over the anticipated useful life of the asset. Assets are depreciated on a straight line basis over their useful lives, starting from the date on which they were first put into use.

Leases for cars and office equipment are treated as operating lease contracts for accounting purposes. The leases for premises in which the company has assumed a significant portion of the risk and benefits associated with ownership of the asset are classified as financial leases. For the financial year beginning 1 October 2019, Siemens AS will implement IFRS 16 Leases, using the modified retrospective method. IFRS 16 replaces the current classification model for lessees' lease contracts as either operational or financial leasing, and instead introduces an accounting model which requires lessees to recognise assets and liabilities for leases with a maturity exceeding 12 months. This entails that previously non-capitalised leases must be booked in a way that to a great extent is comparable with today's accounting treatment of financial leasing (see note 26).

Development costs are capitalised to the extent that a future economic benefit associated with the development of an identifiable intangible asset can be identified and the costs can be measured reliably. Otherwise, such costs are expensed as they are incurred. Capitalised development costs are depreciated on a straight line basis over their useful lives. Research costs are expensed as they are incurred.

Pension costs and pension liabilities

At the beginning of its 2007 fiscal year, Siemens AS introduced a defined contribution-based occupational pension scheme (defined contribution plan) for all employees with more than 10 years to go before reaching retirement age (67) at the close of 2006.

The period's pension costs comprise paid contributions and employers' national insurance contributions. Up to 31 December 2015, contributions were 4 percent of the individual employee's qualifying salary between 1G and 6G (where G is the National Insurance Scheme's basic amount). For qualifying salaries of between 6G and 12G, a pension contribution of 8 percent was payable. With effect from 1 January 2016, the contribution level was amended to 5 percent of the qualifying salary up to 7.1G, and 13 percent of the qualifying salary from 7.1G up to 12G. Previously accrued pension rights were converted into individual paid-up policies in 2006. For employees with less than 10 years to go until retirement age, the old defined benefit-based pension scheme (defined benefit plan) was maintained, but it is considered to be a closed scheme. This pension scheme is treated for accounting purposes in accordance with IAS 19R.

Pension liabilities in the defined benefit-based plan are valued as the present value of future pension liabilities accrued at the balance sheet date. Future pension liabilities are calculated using estimated salaries and retirement dates. Pension scheme assets are valued at their estimated market value at the balance sheet date The net pension liabilities of underfunded pension schemes are recognised in the balance sheet as a liability, while the net pension assets of overfunded schemes are recognised as financial fixed assets.

The company recognised all accumulated net actuarial losses and gains in equity on the date of transition to IFRS, 1 October 2012. Gains and losses on curtailment or settlement of a defined benefit-based pension scheme are recognised in the income statement when the curtailment or settlement occurs. A curtailment occurs when the company is committed to making a material reduction in the number of employees covered by a scheme, or amends the terms of a defined benefit-based pension scheme so that a material element of the future savings of current employees will no longer qualify for benefits, or will only qualify for reduced benefits.

The introduction of a new defined benefit scheme or an improvement to the current defined benefit scheme entails changes in the pension liabilities. These are expensed on a straight-line basis until the effect of the change has been accrued. The introduction of new plans or changes to current plans with retroactive effect, so that the employees have immediately earned a paid-up policy (or change to a paid-up policy), are recognised immediately in the income statement. Gains or losses in connection with curtailments or the closure of pension plans are recognised in the income statement in the period in which they occur. Actuarial gains or losses are recognised in other revenues and expenses (OCI).

Employees' options and share programme

Siemens AG, the parent company of Siemens AS, has issued stock awards to staff in senior management positions at

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Siemens AS. In addition, all employees may join a savings agreement linked to the purchase of Siemens AG shares. For every three shares that the employee purchases, Siemens AS will give one share. Both of these option schemes are measured at fair value on the date of issue. The fair value on the date of issue is expensed on a straight-line basis over the duration of the option.

Government grants
Government grants are recognised as deferred income at fair value when there is reasonable assurance that the conditions for the grant will be complied with, and that the grant will be disbursed. Grants that become receivable as compensation for expenses on an ongoing basis are systematically recognised in the income statement of the period in which the expenses are recognised. Grants in which the Group is compensated for the acquisition cost of an asset are recognised in the income statement over the useful life of the asset.

Tax expense
Taxes consist of tax payable and changes in deferred tax. Tax payable is calculated on the basis of the profit or loss for tax purposes. Changes in deferred tax are calculated on the basis of changes in taxable and tax-deductible temporary differences.

Cash flow statement
Siemens AS uses the indirect model for presentation of the cash flow statement in accordance with Simplified IFRS for cash flow statements. The indirect model shows gross cash flows from investing and financing activities, while the accounting profit is reconciled with the net cash flow from operating activities. Siemens AS participates in a Group account scheme, in which the funds are defined as intra-Group receivables and liabilities. Therefore the company has no cash and cash equivalents as at 30/09/2019.

Note 2 Sales revenues

(Amounts in NOK 1,000)	2019	2018
Sales revenues by business area		
Process Industries and Drives	2,466,777	1,777,078
Energy Management	1,554,765	1,244,753
Building Technologies	354,449	349,513
Power and Gas	266,984	179,894
Digital Factory	247,269	178,325
Mobility*	0	198,061
Total other operating revenue	**4,890,244**	**3,927,625**

* The company demerged the Mobility division with accounting and tax effect as at 1 July 2018.

Export

The majority of the company’s sales revenue comes from activities in Norway. In the 2019 fiscal year, exports comprised NOK 1,099.7 million, which is an increase of approximately 86% from the 2018 financial year. Exports comprise 22 percent of total revenue.

The largest export markets in the 2019 financial year are Turkey, France, the USA and UK, which account for 20 percent, 14 percent, 13 percent and 11 percent, respectively, of total exports.

Demerger

As preparation for the demerger (see Annual Report), the company carried out internal restructuring in the 2019 financial year.

Smart Infrastructure, Digital Industries and Large Drives Automation Application will be demerged into a new legal entity in March 2020. This unit will be named Siemens AS and it is expected that the new company will retain approximately 35 percent of sales revenue in 2020. The Smart Infrastructure unit includes Building Technologies and large parts of Energy Management. Digital Industries is made up of Digital Factory and part of Process Industries and Drives.

The Gas and Power unit consists of Process Solutions from the former Process Industries and Drives, and Subsea from the former Energy Management, as well as the Power and Gas division. This new energy-related business will remain in the current legal entity and will change its name to Siemens Energy AS. It is expected that Siemens Energy AS will retain approximately 65% of sales revenue after the demerger

Note 3 Other operating revenue

(Amounts in NOK 1,000)	2019	2018
Other operating revenue		
Rental income from real estate	65,628	58,253
Profit on the sale of businesses and assets	906	627
Total other operating revenue	**66,534**	**58,880**

Notes

Note 4 Salary expenses, number of employees, remuneration, loans to employees, etc.

(Amounts in NOK 1,000)	2019	2018
Salary expenses		
Salaries	1,295,865	1,272,605
Employer's NICs	190,989	196,777
Net pension cost*	79,297	92,409
Other expenses	55,194	29,615
Total salary expenses	1,621,345	1,591,406
Average number of employees:	1,459	1,485

*In 2019, net pension costs consist of the cost of the defined contribution-based scheme of NOK 61.3 million, excluding employer's NICs, and new contractual pension (AFP) schemes of NOK 16.8 million excluding employer's NICs, in addition to net costs of NOK 1.2 million in connection with the defined benefit-based pension scheme including employer's NICs (see note 16).

Information on the Board of Directors and the CEO

Remuneration

Directors' fees for the Board of Directors of Siemens AS totalled NOK 30,000 in the 2019 financial year. The Chair of the Board did not receive any Director's fees during the period.

The CEO's salary for the period from 01 October 2018 to 30 September 2019 was NOK 3,543,172. Bonus comprised NOK 916,022 of this amount. Other reportable compensation totalled NOK 453,525.

Pension entitlements

The CEO is covered by the pension scheme for senior management at Siemens AS.

As at 1 January 2016, the defined benefit-based pension scheme for active senior managers was replaced by a defined contribution-based pension scheme (see note 16, Pensions).

The regular deposits to the new pension scheme amounted to NOK 102,734 in the 2019 financial year.

Severance pay

An agreement is in place with the CEO concerning severance pay equivalent to 12 months' salary in the event of notice of termination by Siemens.

Stock awards - share-based remuneration

The gain on stock awards is calculated by comparing the Siemens AG share price with the strike price when the stock awards are exercised. All stock awards allocated may be exercised two years after allocation, and thereafter for one year. Exercising these options requires the individual in question to be employed by the company for two years following allocation. Anyone who leaves the company after two years must exercise their options at the latest one month after their last day. The CEO exercised 560 stock awards with a resulting gross gain of NOK 325,345 in the current financial year. As at 30 September 2019, the CEO has reserved 2,107 stock awards. None of the Board members has been allocated stock awards.

Loans and provision of security

Neither the Chair of the Board nor the CEO have loans from Siemens AS as at 30/09/2019.

The management has not received any payments or financial benefits from other companies in the same Group, other than those shown above. No additional remuneration has been given for special services beyond the normal functions of a manager.

Information concerning other employees

Loans and provision of security

Other employees have loans from the company totalling NOK 8.0 million. The loans are repayable over a maximum of 10 years. A standard interest rate is charged on the loans. No particular security has been provided for the loans, other than the issue of a promissory note.

(Amounts in NOK 1,000)	2019	2018
Fees to auditor		
Proposed fees for statutory audit for the year	1,135	1,262
Other certification services	70	75
Total fees to auditor	**1,205**	**1,337**

(Value added tax is not included in the audit fees.)

Note 5 Specification of operating expenses according to type

(Amounts in NOK 1,000)	2019	2018
Shipping and transport expenses	29,608	24,368
Rental of premises	99,345	96,334
Lighting and heating	5,003	1,638
Energy and fuel, etc. relating to production	5,167	5,224
Refuse collection, wastewater, cleaning, etc.	9,124	5,255
Leasing of machinery, equipment, etc.	4,980	11,380
Equipment, fixtures and fittings (may not be capitalised)	19,415	20,641
Building repairs and maintenance	29,103	24,103
Other repairs and maintenance	8,209	11,645
Office expenses	12,578	12,908
Contracted workers	243,178	177,150
Fuel, maintenance, insurance and taxes on means of transport	5,311	142
Travel and subsistence expenses	96,677	92,751
Sales and advertising expenses	15,389	13,024
Entertainment expenses	2,716	2,616
Subscriptions and gifts	5,023	4,647
Insurance premiums	6,788	7,151
Warranty and service expenses	1,965	4,713
Licence and patent costs	12,664	15,894
Other expenses	119,575	176,647
Total operating expenses	**731.818**	**708,231**

Siemens AS presents its income statement based on the content of the revenues and expenses. Operating expenses comprise all operational costs that are not related to projects, payroll expenses and the cost of capital in the form of depreciation. The main elements of other operating expenses are grouped in the above table.

Licence and patent costs relate to software costs from external suppliers and internal licence costs billed by Siemens AG. The "other expenses" item mainly consists of general administration costs such as personnel administration, communication administration, purchasing, research and development, IT, legal, finance, strategic planning and general administration.

(Amounts in NOK 1,000)	2019	2018
Research and development		
Total expenses for research and development	95,312	66,775

It is assumed that the total expected earnings from ongoing research and development correspond to the total expenses. The company's development programmes are mainly related to products and systems for Subsea application. Other important areas of development are power systems for ships and drilling vessels, offshore water management, and advanced IT solutions for the oil and gas market. Siemens has extensive research collaboration with universities, colleges, and external and internal research centres and partners.

Note 6 Specification of interest items and other financial items

(Amounts in NOK 1,000)	2019	2018
Interest income from companies in the same Group	456	186
Other interest income	3,073	2,564
Other financial income	0	6,760
Exchange rate gains	8,007	6,952
Total interest income and other financial income	**11,536**	**16,462**
Interest expenses from companies in the same Group	-8,781	-5,488
Other interest expenses	-1,996	-1,913
Other financial expenses	-134	-91
Exchange rate losses	-30,468	-16,920
Total interest expenses and other financial expenses	**-41,379**	**-24,411**
Net interest items and other financial items	**-29,843**	**-7,949**

Notes

Note 7 Tax

(Amounts in NOK 1,000)	2019	2018
Taxable profit		
Profit before tax	118,218	-38,238
Permanent differences/other differences	7,082	-4,286
Changes in taxable/tax-deductible temporary differences	-12,890	106,310
Impact of items recognised in equity	-2,546	3,645
Effect of demergers and internal transactions	0	-48,989
Use of deficit carried forward	-109,864	-18,442
Total	**0**	**0**
22% tax payable (2018: 23%)	0	0
of which tax paid to abroad, directly expensed	0	0
Tax payable in the tax expense	**0**	**0**
Tax expense for the year		
Tax payable on the profit for the year	0	0
Change in deferred tax	31,689	-16,405
Change in deferred tax, demerged company	0	11,268
Change in deferred tax recognised directly in equity*	-2,729	-4,164
Too much/too little set aside in previous years	0	313
Total	**28,960**	**-8,988**
Tax payable in the balance sheet		
Tax payable on the profit for the year	0	0
Tax payable for previous years	0	0
Tax fund (previous year)	-2,117	-4,559
Total	**-2,117**	**-4,559**
Taxable/deductible differences that offset each other		
Fixed assets/liabilities	20,178	37,297
Current assets/liabilities	31,544	-1,011
Total taxable/deductible differences that offset each other	**51,721**	**36,285**
Acc. taxable losses carried forward	-65,835	-175,699
Items recognised directly in equity*	-331,421	-328,876
Total basis for deferred tax	**-345,535**	**-468,290**
22% Deferred tax (+)/Deferred tax asset (-) (2018: 23%)	**-76,018**	**-107,706**
Change in deferred tax	31,689	-16,405
of which without effect on tax expenses	2,729	4,164

*Changes in capitalised financial instruments and pensions, as well as deferred tax relating to these items, are partly recognised directly in equity.

Calculation of effective tax rate	**2019 Tax expense**	**as a % of profit before tax**
Tax calculated as an average nominal tax rate on profit before tax	26,008	22
Effect of permanent differences	1,557	1
Permanent effect of equity transactions	0	0
Effect of deducted foreign tax	0	0
Tax effect of change in tax rate from 23% to 22%	4,683	4
Tax effect of change in tax rate from 23% to 22% for items recognised directly in equity	-3,289	-3
Too much/too little set aside in previous years	0	0
Tax expense according to income statement	**28,960**	**24**

Note 8 Intangible assets

(Amounts in NOK 1,000)	Customer portfolio	Technological intangible assets	Market-related assets	Goodwill	Total
Acquisition cost 01.10.2018	41,300	86,625	3,666	545,794	677,385
Acquisitions during the year	0	0	0	0	0
Disposals during the year – cost price	0	0	0	0	0
Acquisition cost 30.09.2019	41,300	86,625	3,666	545,794	677,385
Accumulated depreciation and write-downs	-34,034	-84,279	-3,399	-2,121	-123,833
Balance sheet value 30.09.2019	**7,266**	**2,346**	**267**	**543,673**	**553,552**
Depreciation and write-downs for the year	-4,590	-4,021	-458	0	**-9,069**
Depreciation method	Straight-line	Straight-line	Straight-line		
Useful life	3-9 years	5-8 years	5-8 years		

Siemens AS carries out annual impairment tests of goodwill. These tests are carried out more frequently in the event of any indications of impairment of goodwill. The impairment test was carried out in September 2018 and is based on provisional company figures from August 2018. Capitalised goodwill in the company as at 30/09/2018 amounts to NOK 543.7 million and is mainly derived from the following acquisitions:

Bennex AS	FY 2011
Poseidon Group AS	FY 2011
Matre Instruments AS	FY 2013

Goodwill is allocated to cash-generating units (CGU) for testing of impairment in values for the 2018 financial year as specified below (amounts in NOK 1,000):

Energy Management (kun Subsea)	492,748
Building Technologies	42,183
Process Industries and Drives	8,742

In 2019, the cash generating units (CGUs) will be redefined as the divisions of the company due to an error in previous financial years; goodwill is allocated to Energy Management, Building Technologies and Process Industries and Drives. This redistribution of goodwill does not result in any write-downs in the 2019 business year or previous business year.

Goodwill is allocated to cash-generating units (CGU) for testing of impairment in values for the 2019 financial year as specified below (amounts in NOK 1,000)

Energy Management	508,427
Building Technologies	26,916
Process Industries and Drives	8,330

Siemens has used the utility value to determine the recoverable amount in cash-generating units (CGU). The model is based on expected division- and unit-specific cash flows for the next five years. Siemens has used a weighted average capital cost (WACC) specifically for each cash-generating unit. The utility value is the current value of estimated cash flow before tax, with a discount factor which reflects the time of the cash flows and the anticipated risks.

The cash flows in the calculations are based on long-term budgets for the years 2020 to 2024. Cash flows after 2024 will be derived using a long-term growth rate which is equivalent to anticipated long-term national inflation.

Central criteria used in utility value calculations

The calculations of utility value for all cash-generating units (CGU) are based to a great extent on central criteria linked with:

- future cash flows
- growth rate, final value (net)
- weighted average capital cost (WACC)

As regards the calculation of utility value for the cash-generating unit (CGU) "Energy Management", the key criteria are sensitive to changes in the price of oil and the future demand for the unit's product lines.

From 1 October 2019, goodwill will be included in the newly established Norwegian legal entities: Siemens, Siemens AS and Siemens Energy AS. The divisions' goodwill is allocated to the legal entity assigned to them in the demerger (see note 2 and note 27):

Siemens Energy AS	223,839
Siemens AS	319,833

Notes

Note 9 Tangible assets

(Amounts in NOK 1,000)	Land/buildings	Plant and machinery	Company equipment and fixtures and fittings	Buildings under construction	Total
Acquisition cost** 01.10.2018	261,102	159,204	137,702	39,614	597,623
Acquisitions during the year*	3,080	4,372	49,248	182	56,882
Disposals during the year** – cost price*	-35	-1,454	0	-39,550	-41,039
Acquisition cost 30.09.2019	**264,147**	**162,122**	**186,950**	**246**	**613,466**
Accumulated depreciation and write-downs	-132,295	-87,029	-127,980	0	-347,305
Balance sheet value 30.09.2019	**131,852**	**75,093**	**58,970**	**246**	**266,161**
Depreciation and write-downs for the year	-12,644	-5,455	-15,882	0	-33,981
Depreciation method	Straight-line	Straight-line	Straight-line		
Useful life	0-50 years	10 years	3-5 years		

* During the financial year, buildings under construction worth NOK 39.5 million were completed and transferred to company equipment and fixtures and fittings.
** of which NOK 10.1 million was fully written down.

Note 10 Other non-current receivables

(Amounts in NOK 1,000)	2019	2018
Other non-current receivables		
Loans to employees (see note 4)	8,014	9,844
Other non-current receivables	1,198	2,584
Total	**9,212**	**12,427**

The list shows the book value of receivables falling due later than one year after the balance sheet date.

Note 11 Inventories

(Amounts in NOK 1,000)	2019	2018
Inventories		
Inventories of raw materials and purchased semi-finished products	16,606	18,321
Inventories of goods in process	11,100	10,771
Inventories of purchased goods for resale	172,045	93,099
Total	**199,751**	**122,191**
Provision for obsolete goods	28,958	28,438
Cost of goods for the year	2,398,322	1,675,505

Note 12 Accounts receivable

(Amounts in NOK 1,000)	2019	2018
Accounts receivable		
Gross accounts receivable	783,261	660,652
Provision for losses on receivables	-7,055	-2,909
Net accounts receivable	**776,205**	**657,743**
Losses on accounts receivable	610	4,813
Changes in provision for losses on receivables	4,146	-13,576
Changes in provision for losses on other non-current receivables	-671	509
Net bad debts	**4,085**	**-8,254**

Outstanding receivables older than 60 days comprise approximately 15.1 percent of gross receivables (compared with 3.9 percent in 2018). Siemens AS continuously follows up and evaluates risk and believes that the provisions for bad debts are adequate, based on an evaluation of the receivables.

Note 13 Means of payment

Siemens AS has no restricted liquid assets. Siemens AS has a bank guarantee worth NOK 103.5 million to cover tax liabilities.

Banking activities are undertaken through Siemens AG and an external bank. Siemens AS has low liquidity risk, since the company is part of the Siemens Group's corporate cash pooling system.

Net deposits in Siemens AS as at 30/09/2019 are NOK 485,1 million and are classified as liabilities

Note 14 Other current receivables

(Amounts in NOK 1,000)	2019	2018
Other current receivables		
Accrued, unbilled revenues from production contracts (see note 19) 311,084	311,084	414,667
Other accrued, unbilled revenues	129,191	112,201
Currency derivatives	8,480	18,805
Other current receivables	33,580	26,463
Total	482,335	572,137

Note 15 Equity

(Amounts in NOK 1,000)	Share capital	Share premium	Cash flow hedges reserve	Acturial gains and losses reserve	Retained earnings	Total equity
As at 30.09.2018	128,798	27,599	-11,102	-257,852	418,655	306,101
Total comprehensive income	0	0	2,113	-7,388	89,258	83,984
As at 01.10.2019	128,798	27,599	-8,989	-265,240	507,913	390,083

As at 30 September 2019, the company's share capital consisted of 140,000 shares, each with a nominal value of NOK 919.99. All of the company's shares are owned by Siemens International Holding BV, which in turn is wholly owned by Siemens AG.

Notes

Note 16 Pension costs and pension liabilities

Siemens AS is obliged to provide an occupational pension scheme in accordance with the Norwegian Mandatory Occupational Pensions Act, and has a defined contribution-based occupational pension scheme which satisfies the requirements of this Act. Siemens AS has closed defined benefit plans, both funded and unfunded, as well as a defined contribution plan.

Contribution plans

Siemens has a defined contribution-based occupational pension scheme. The contribution level is 5% of the individual employee's qualifying salary up to 7.1G, and 13 percent of the qualifying salary from 7.1G up to 12G. NOK 61.3 million was paid in contributions in 2019.

The Norwegian Parliament resolved that AFP will be a life-long scheme as from 1 January 2011, in which the employee can decide when to receive the pension after reaching the age of 62. The payments will be influenced by the qualifying period and expected remaining lifetime of each individual employee. This AFP scheme is a defined benefit-based multi-employer pension scheme that is financed through premiums that are determined as a percentage of salary. As there is no current reliable method of calculating the liability, the scheme is accounted for as a defined contribution-based scheme in which the premium payments are expensed on an ongoing basis. NOK 16.8 million was paid into this scheme in 2019.

As at 1 January 2016, the company's previous additional defined benefit-based pension scheme for active senior managers was terminated and replaced with a defined contribution-based additional pension scheme. The qualifying salary for the scheme is the fixed annual salary in excess of 12G.

Benefit plans – funded schemes

For employees with less than 10 years to go until the age of 67 at the close of 2006, the company has a closed scheme which entitles members to future defined benefits (defined benefit plan). The closed scheme had one active member at the close of the financial year. The pension benefits payable are primarily dependent on the number of qualifying years, the salary level on reaching retirement age and the size of benefits from the National Insurance Scheme. The pension scheme assets are managed by Storebrand Livsforsikring AS. For this pension scheme, Siemens AS is responsible for any pension obligations if the pension scheme assets cannot fully cover the pension obligations.

As of 30 June 2018, the rights of 889 pensioners in the funded pension scheme were transferred to individual paid-up policies in Storebrand Livsforsikring AS. The Norwegian Company Pensions Act states that on the expiry of a defined benefit-based pension scheme, pensioners must be guaranteed a continued pension by issuing an individual paid-up policy.

The change entails that all individual rights of pensioners are continued in accordance with the rules applying to paid-up policies.

The rights of remaining members in full-time positions will be transferred to individual paid-up policies on retirement. The rights of remaining members in part-time positions will be fulfilled on the basis of a combination of an individual paid-up policy and future pension earnings via the company's defined contribution-based scheme.

For the company, the change entails a reduction of the capitalised pension obligations. The funded pension scheme is expected to be concluded during 2019.

Benefit plans – unfunded scheme

In addition to the funded occupational pension scheme, Siemens AS has unfunded defined benefit-based pension liabilities. These pension plans mainly comprise pension liabilities to retired senior managers.

(Amounts in NOK 1,000)	Total for 2019	Unfunded 2019	Funded 2019	Total for 2018
Pension costs for benefit plans				
Pension accural / service cost	0	0	0	-7,653
Interest cost of pension liabilities	1,321	1,206	115	8,530
Return on pension funds	0	0	0	-7,253
Recognized pension cost, incl. aga	**1,321**	**1,206**	**115**	**-6,377**
Actuarial loss/gain (-)	5,627	5,440	187	7,167
Pension costs recognised in Other revenue and expenses	**5,627**	**5,440**	**187**	**7,167**
Changes in pension obligations				
Pension liabilities at start of period	67,107	61,426	5,681	623,656
Pension savings for the year	0	0	0	41
Profit related to changes in the pension scheme	107	0	107	-7,695
Interest expenses on pension liabilities	1,321	1,206	115	8,530
Curtailment/settlement	-5,375	0	-5,375	-515,617
Employer's NICs	0	0	0	-1
Pension payments	-5,357	-5,217	-140	-39,748
Actuarial loss/gain (-)	5,864	5,440	424	-2,058
Pension liabilities at end of period	**63,667**	**62,855**	**812**	**67,107**

Note 16

(Amounts in NOK 1,000)	Total for 2019	Unfunded 2019	Funded 2019	Total for 2018
Changes in pension plan assets				
Changes in pension plan assets	6,193	0	6,193	544,152
Return on pension plan assets	109	0	109	7,253
Curtailment/settlement	-5,375	0	-5,375	-515,617
Payment into the scheme	0	0	0	9
Pension payments	-140	0	-140	-34,713
Actuarial loss (-)/gain	237	0	237	5,109
Pension plan assets at end of period	**1,024**	**0**	**1,024**	**6,193**
Net pension liability (+)/-Assets (-)	**62,643**	**62,855**	**-212**	**60,914**

(Amounts in NOK 1,000)	2019	in %	2018	in %
Funded pension scheme is invested as follows:				
Bonds	626	61	4,131	67
Property	138	14	848	14
Equity instruments	166	16	1,016	16
Funds	27	2	19	0
Bank deposits	68	7	180	3
Total	**1,025**	**100**	**6,193**	**100**

	2019	2018
Financial assumptions		
Discount rate	1.23%	2.05%
Expected salary adjustment	2.75%	2.05%
Expected pension increase	0.00%	2.75%
Expected G adjustment	2.50%	0.80%
Expected return on pension assets	1.23%	2.50%

Actuarial assumptions:
Other actuarial assumptions have been applied in the calculations, such as the K-2013 mortality table, as well as other demographic factors prepared by Finance Norway (Finansnæringens Hovedorganisasjon). A staff turnover rate of 8 percent for the 20-29 age group, falling to 0% for employees aged 60 or over, has also been assumed. The turnover rate states the proportion of the workforce that is estimated to leave the company voluntarily during one year.

	Pension obligation (DBO)	
(Amounts in NOK 1,000)	Increase	Reduction
Sensitivity analysis		
Discount rate (0,5% change)	-2,363	2,546
Expected wage adjustment (0,5% change)	0	0
Expected pension increase (0,5% change)	2,893	-1,430

Notes

Note 17 Other non-current liabilities

(Amounts in NOK 1,000)	2019	2018
Other non-current liabilities		
Staff provision for long period of service	23,109	16,405
Finance leases	8,348	9,950
Provisions for vacant premises	70,640	64,181
Guarantee provision	27,045	30,963
Other non-current liabilities	25,304	24,600
Total other non-current liabilities	154,446	146,098

The list shows the book value of liabilities falling due more than one year after the balance sheet date.

Note 18 Other current liabilities

(Amounts in NOK 1,000)	2019	2018
Other current liabilities		
Salaries and holiday pay	216,022	190,223
Service contracts billed in advance	4,039	3,182
Provisions for liabilities	47,602	72,326
Production projects billed in advance (see note 19)	392,388	440,106
Currency derivatives with negative value (see note 20)	14,396	27,404
Restructuring provisions	0	0
Other current liabilities	32,017	19,429
Total other current liabilities	706,464	752,674

(Amounts in NOK 1,000)	Onerous contracts	Other	Total
Provisions for liabilities			
As at 01.10.2018	32,448	39,877	72,326
Deferred	32,219	13,991	46,210
Removed	-30,961	-5,477	-36,438
Used provision	-17,179	-17,317	-34,496
As at 30.09.2019	16,527	31,074	47,602

Note 19 Long-term manufacturing contracts

(Amounts in NOK 1,000)	2019	2018
Work in progress		
Recognised	4,168,173	3,516,096
Expenses	-3,789,455	-3,288,813
Net profit/loss	378,718	227,283
Revenue from projects	2,752,291	1,984,983
Estimated remaining production costs for loss-making projects	467,400	545,035
Earned, unbilled revenue included under other current receivables from manufacturing projects where the percentage of completion method is used (see note 14).	311,084	414,667
Production billed in advance, included in other current receivables from manufacturing projects where the percentage of completion method is used (see note 18)	392,388	440,106

The entire expected loss on these projects is charged as a provision, which is reduced in parallel with the progress of the project or realisation of the losses.

Project risk and uncertainty
Siemens AS mainly has long-term contracts, of which many are fixed-price contracts based on bids. Delays, quality issues or increases in project costs can result in costs which are not covered by the revenues from the project in question. If a project is identified as loss-making, a provision is made for expected future losses. For accounting purposes, the recorded loss is the best estimate at the close of the financial period. Circumstances and information can change in subsequent periods and the final outcome may therefore be better or worse than the assessment made at the time the accounts were prepared.

Note 20 Currency derivatives and financial instruments

Based on current guidelines, 75-100 percent of future cash flows and positions in foreign currencies must be hedged using forward contracts and options. Financial instruments are used for hedging purposes where there is an offsetting item in the underlying cash flows from operations.

Siemens AS has significant currency exposure relating to purchases and sales in EUR, GBP, SEK and USD. In addition, options may be used to hedge against fluctuations during the bid phase of projects. All hedging is undertaken through Siemens AG.

Siemens AS has no financial instruments linked to interest rate exposure.

(Amounts in NOK 1,000)	2019	2018
The following amounts relating to currency hedging contracts are recognised as financial income/expenses for the financial year		
Realised gain/loss (-) from expired hedging contracts	-19,333	-9,824
Accumulated gain/loss (-) not reversed from equity	-2,016	-4,104
The following amounts relating to currency hedging contracts are recognised in other revenues and expenses (adjusted for deferred tax)		
Unrealised gain/loss (-) recognised in the financial year	2,113	-2,821
Accumulated gain/loss (-) not reversed from equity	-8,986	-11,099

List of unrealised currency forward contracts as at 30/09/2019

Currency forward contracts (counter position NOK)	Amount in foreign currency	Amount in NOK	Agreed average exchange rate	Exchange rate as at 30.09.2018	Average remaining maturity in days
Sales EUR	81,760	814,635	9.9638	9.8953	142
Purchases EUR	62,668	624,454	9.9645	9.8953	156
Sales GBP	141	1,541	10.9503	11.1719	122
Purchases GBP	78	868	11.1395	11.1719	152
Sales SEK	61,522	57,887	0.9409	0.9252	124
Purchases SEK	119,709	112,433	0.9392	0.9252	96
Sales USD	20,437	178,639	8.7410	9.0874	130
Purchases USD	6,043	53,916	8.9226	9.0874	124
Sales QAR	3,210	7,380	2.2988	2.4951	227

Fair value of the derivatives that are recognised in the balance sheet as at 30.09.2018	2019	2018
CAD	0	6
EUR	1,164	4,631
GBP	-30	142
SEK	-575	-8,826
USD	-5,874	-2,988
QAR	-630	0
Total	-5,945	-7,035
Positive holdings: Short-term portion	8,480	18,805
Positive holdings: Long-term portion	749	2,134
Negative holdings: Short-term portion	-14,396	-27,404
Negative holdings: Long-term portion	-778	-569
Total	-5,945	-7,035
(see the table for currency derivatives and financial instruments)		

The fair value of hedging instruments is determined by multiplying the difference between the exchange rate on the balance sheet date and the agreed exchange rate by the hedged amount in foreign currency and applying a discount rate. An administration fee is included for the issuer of the hedging instrument (Siemens AG).

In the income statement, the valuation and settlement of hedging contracts are entered under financial expenses and income. In the balance sheet, the values of open hedging contracts are recognised in other current or non-current receivables or other current or non-current liabilities. The share of long-term positive holdings comprises NOK 847 million and long-term negative holdings NOK -0.912 down.

Siemens AS uses Cash Flow Hedge Accounting for significant cash flows. The purpose of hedge accounting is to avoid any impact on the income statement of unrealised gains and losses on the hedging instrument. The effectiveness of the hedging is monitored and documented in accordance with the rules for hedge accounting. If the requirements for the use of hedge accounting are no longer met, the hedged item and the hedging instrument are measured separately using the relevant accounting rules.

On hedging cash flows (Cash Flow Hedge Accounting) unrealised gains and losses on the hedging instrument are recognised in equity. Deferred tax on the provision is recognised directly in equity. Other hedging contracts that are not classified as hedge accounting are recorded at fair value to the income statement.

As of 30/09/2019 there are no material ineffective hedges.

Notes

Note 20 Currency derivatives and financial instruments

Periods during which hedged cash flows in foreign currencies, classified as Cash Flow Hedge Accounting, are assumed to affect the income statement.

Year in which hedged cash flows are expected to be reclassified from equity to the income statement	2020	2021	2022
(Amounts in NOK 1,000)	-11,696	-95	0

Financial instruments according to category

(Amounts in NOK 1,000)	Loans and receivables	Derivatives used for hedging purposes	Total
Assets As at 30.09.2019			
Other non-current receivables	8,464	748	9,212
Accounts receivable	776,205	0	776,205
Other current receivables	473,855	8,480	482,335
Total assets as at 30.09.2019	**1,258,524**	**9,228**	**1,267,752**
Assets As at 30.09.2018			
Other non-current receivables	10,294	2,134	12,427
Accounts receivable	657,743	0	657,743
Other current receivables	553,332	18,805	572,137
Total assets as at 30.09.2018	**1,221,369**	**20,938**	**1,242,308**

(Amounts in NOK 1,000)	Other financial liabilities	Derivatives used for hedging purposes	Total
Obligations As at 30.09.2019			
Other non-current liabilities	153,668	778	154,446
Accounts payable	336,010	0	336,010
Curent liabilities to Group companies	485,057	0	485,057
Advances from customers	8,128	0	8,128
Other current liabilities	692,068	14,396	706,464
Total obligations as at 30.09.2019	**1,674,931**	**15,174**	**1,690,105**
Obligations As at 30.09.2018			
Other non-current liabilities	145,529	569	146,098
Accounts payable	252,476	0	252,476
Curent liabilities to Group companies	538,690	0	538,690
Advances from customers	11,292	0	11,292
Other current liabilities	725,270	27,404	752,674
Total obligations as at 30.09.2018	**1,673,257**	**27,974**	**1,701,230**

Note 21 Financial market risk

Siemens uses financial forward contracts through Siemens AG to hedge against exposure to currencies. However, Siemens AS does not use financial instruments linked to interest-bearing items. As a result of the strong liquidity of Siemens AG, Siemens AS has a low liquidity risk. Accounts receivable are continuously assessed based on changes in market conditions and management’s assessment. We consider this to be taken into account in the provisions for losses on receivables (see note 12). Currency and risk and the use of financial instruments are described in Note 20.

Note 22 Transactions with related parties

(Amounts in NOK 1,000)		2019	2018
Sales			
Siemens Industry, Inc., USA	Siemens company	52,142	19,651
Siemens International Trading Ltd., China	Siemens company	37,101	27,675
OOO Siemens, Russia	Siemens company	32,402	0
Siemens AG, Germany	Siemens company	30,166	70,895
Dresser-Rand AS, Kongsberg	Siemens company	29,581	31,150
Siemens plc, UK	Siemens company	28,466	37,955
Siemens Mobility AS, Norway	Siemens company	19,604	4,577
Siemens Healthcare AS, Norway	Siemens company	12,019	12,947
Siemens Industry, Inc., USA	Siemens company	6,178	4,344
Siemens Sanayi ve Ticaret Anonim S., Turkey	Siemens company	5,711	5,871
Other	Siemens companies	37,611	70,227
Total		**290,981**	**285,292**
Purchases			
Siemens AG, Germany	Siemens company	978,725	436,619
Mentor Graphics AB, Sweden	Siemens company	215,471	0
Koncar-Energetski Transformatori, Croatia	Siemens company	83,872	33
Siemens Schweiz AG, Switzerland	Siemens company	82,687	0
Siemens plc, UK	Siemens company	49,631	29,134
Siemens Sanayi ve Ticaret Anonim S., Turkey	Siemens company	23,375	0
Siemens Electric Machines s.r.o., Czech Republic	Siemens company	23,308	0
Siemens Zrt., Hungary	Siemens company	15,597	0
Chemtech Servicos de Engenharia, Brasil	Siemens company	14,996	4
Siemens Healthcare AS, Norway	Siemens company	13,560	0
Other	Siemens companies	126,658	900,478
Total		**1,627,880**	**1,366,268**

Purchases from and sales to related parties are regarded as commercial transactions. Purchases from and sales to related parties principally take place in connection with project collaboration. There are also a number of cost allocations in connection with the use of common services in the Group.

Siemens AS has no intra-Group balances relating to liabilities and receivables, since purchases and sales are paid for directly from the Group cash pool (see note 13).

The consolidated financial statements of Siemens AG can be obtained using the following address: Siemens AG, Wittelsbacherplatz 2, D-80333 Munich, Germany. http://www.siemens.com

Note 23 Government grants

In 2013, Siemens was allocated a government grant by the Research Council of Norway in connection with DEMO 2000. The grant was to reduce the accrued project costs, entailing net recognition in the accounts. The total amount of the grant was NOK 4.5 million and was disbursed on an ongoing basis and in arrears. The project is owned by the Energy Management division and took place throughout 2015, 2016, 2017 and 2018. The grant for the 2019 financial year amounts to NOK 0.1 million NOK.

In 2019, a new government grant was allocated in connection with the DEMO 2000 programme. The project takes place from 2019 to 2020. For the 2019 financial year, Siemens AS received a government grant of NOK 0.5 million.

The grant is disbursed on an ongoing basis based on reporting of the project costs incurred. The grant is for a user-controlled innovation programme which requires 50% co-financing by trade and industry. The innovation programme is intended to stimulate R&D work in trade and industry, and is thus a tool aimed at increasing trade and industry's own R&D efforts. There are no contingent liabilities other than the requirement to document the accrued project costs that have formed the basis for the grant allocation.

In 2018, Siemens AS was allocated a government grant by the Research Council of Norway in connection with the ENERGIX programme.

The ENERGIX programme is a research programme with the primary aim of supporting a long-term and sustainable development of energy systems that promotes a competitive Norwegian industry and helps with readjustment to the low emission society. Pilot E is one of the funding schemes in Energix and was established by the Research Council of Norway, Innovation Norway and Enova. The scheme shall help Norwegian industry players to scale solutions withig environmentally friendly energy technology for a national and international market.

The project is owned by Siemens AS, Process Industries and Drives, and extends for a three-year period (2018, 2019 and 2020). The grant for the 2019 financial year was NOK 2.7 million. The grant is disbursed every four months based on reports for budgeted projcet expenses.

The project's key objective is to use the existing infrastructure in Norway's power grid by developing the smart charging stations of the future for electrical ferries.

Notes

Note 24 Other off-balance-sheet liabilities

Off-balance-sheet liabilitie

At the end of the 2019 financial year, Siemens AS has the following off-balance-sheet liabilities divided into the following categories:

Mortgages and guarantees

Guarantees (Amounts in NOK 1,000)	**2019**	2018
Guarantees issued by external financial institutions	537,298	422,686
Total guarantees	**537,298**	**422,686**

Siemens AS has guarantees with a face value of NOK 537.3 million, issued by external financial institutions. The guarantees concern obligations to the authorities and contractual parties.

Leases

Operating leases

Siemens AS leases office and production/storage space in 18 different locations in the country. The company has signed a lease contract for the building at Østre Aker vei 88. The lease contract runs for 12 years with effect from 15 December 2013. After the expiry of the lease period, Siemens AS has an option to extend the lease at market rates for 10 + 10 years. Leases for premises in Stavanger and Bergen will run until 2027, while the other leases have terms of one to five years.

The company has leased various cars and vans for periods of between three and five years.

(Amounts in NOK 1,000)	**Within one year**	**2-3 years**	**4-5 years**	**Over 5 years old**	**Total**
Remaining estimated lease payments falling due					
Rental and leasing of other premises	98,889	182,066	169,805	123,816	574,576
Vehicle leasing	3,527	4,863	1,650	0	10,040
Total remaining estimated lease payments falling due	**102,416**	**186,929**	**171,455**	**123,816**	**584,616**

(Amounts in NOK 1,000)	**2019**	**2018**
Expenses, operating leases		
Offices and warehouses	95,126	95,320
Cars	2,356	5,776
Total expenses, operating leases	**97,482**	**101,096**

Finance leases

Siemens AS entered into a finance lease in January 2015 to lease the building at Ternetangen 61, Bømlo, which is valid for 10 years.

(Amounts in NOK 1,000)	**Within one year**	**2-3 years**	**4-5 years**	**Over 5 years old**	**Total**
Remaining estimated lease payments falling due					
Minimum lease payments	2,380	4,760	4,760	329	12,229
Present value of minimum lease payments	1,518	2,664	2,235	140	6,557

Note 25 Share-price-based compensation

Senior management in Siemens AS are granted options by Siemens AG. There is a three-year delay between when the options are granted and when they can be exercised. The costs of the options are included in the accounts of Siemens AS. Siemens AS is charged the expected monthly cost of options from Siemens AG on the date of the allocation. The cost builds up a liability in Siemens AS to Siemens AG. The cost is based on the fair value of the options as at the balance sheet date. At the point when the options are exercised, their actual value is used. This forms the basis for the final cost billed from Siemens AG

The Norwegian marginal tax is calculated and paid to the Norwegian tax authorities, while the remainder of the amount is paid to the employee by Siemens AS. The total cost of these options is charged to payroll expenses. In the 2019 financial year, this amounted to NOK 3.4 million. The book value of the liabilities amounts to NOK 9.3 million.

	2019		2018	
	Average exchange rate EUR per share	Options	Average exchange rate EUR per share	Options
As at 01.01.		22,804		22,020
Awarded	47.21	12,703	73.34	5,941
Lapsed	58.92	-2,933	78.51	-135
Exercised	59.96	-3,418	73.52	-3,993
Settlement	54.67	-206	78.23	-1,029
As at 30.09.		**28,950**		**22,804**

Allocations	2019		Number of options	
2012	Expiry date	Exercise rate EUR per share	2019	2018
2013	Dec. 16	53.96	6,142	6,142
2014	Nov. 17	71.23	3,987	3,987
2015	Aug. 18	65.81	3,108	3,108
	Jan. 19	59.42	2,703	2,703
2016	Nov. 19	58.42	6,468	6,468
2017	Nov. 21	72.04	8,260	8,260
2018	Dec. 20	73.34	5,941	5,941
Total	Nov. 22	47.21	12,703	
Sum			**49,312**	**7,637**

Share options granted to employees

Every fiscal year, all Siemens Group employees are offered the opportunity to purchase Siemens shares through the Share Matching Plan programme. Employees who enter into this agreement have a fixed amount of 0-5 percent of their gross salary deducted each month

The amount is invested in Siemens shares in the following month. After a vesting period of three years, Siemens gives the employee one free share for every three shares the employee owns. Siemens AS is billed quarterly for the administration of the Share Matching Plan in addition to the fourth share the employee is granted after three years. For the 2019 financial year these costs amounted to NOK 1.7 million.

	2019		2018	
	Average exchange rate EUR per share	Quantity	Average exchange rate EUR per share	Quantity
As at 01.01.		3,474		4,252
Awarded	81.54	2,493	96.83	1,809
Lapsed	89.13	-89	91.89	-111
Exercised	87.86	-1,743	71.65	-1,956
Settlement	90.08	-223	93.89	-520
As at 30.09.		**3,911**		**3,474**

Awarding	2019		Number of options	
2014	Expiry date	Exercise rate EUR per share	2019	2018
2015	jan. 17	73.00	1,206	1,206
2016	jan. 18	69.43	1,051	1,051
2017	jan. 19	58.68	1,474	1,474
2018	jan. 20	92.20	2,097	2,097
2019	jan. 21	96.83	1,809	1,809
Total	jan. 22	81.54	2,493	
Sum			**10,130**	**7,637**

Notes

Note 26 IFRS 16

In January 2016, IASB issued IFRS 16, Leases. IFRS 16 replaces the current classification model for lessees' lease contracts as either operational or financial leasing, and instead introduces an accounting model which requires lessees to recognise assets and liabilities for leases with a maturity exceeding 12 months. This entails that previously non-capitalised leases must be booked in a way that to a great extent is comparable with today's accounting treatment of financial leasing.

IFRS 16 applies to financial years beginning after 1 January 2019. Siemens implements the new standard for the financial year beginning on 1 October 2019 by applying the modified retrospective method, which means that comparative figures for preceding years will not be adjusted.

Based on provisional analyses, it is expected that the implementation of IFRS 16 will entail changes in the recognition of the company's lease agreements, which is mainly related to properties leased by Siemens. As at 1 October 2019, the right of use asset is worth NOK 432 million, of which property-related leases constitute NOK 426 million. The discount rate used is 2.4% for leasing of cars and 2.4% for leasing agreements related to the leasing of premises.

Linear operating costs will be replaced by depreciation costs for assets and interest costs for lease commitments. This entails the reclassification of reported cash flows from financing activities and to operational activities. For the 2020 financial year, depreciation costs are expected to total NOK 72 million for leasing of property and NOK 3 million for leasing of cars are expected, while financing costs are expected to amount to NOK 11 million.

Siemens uses most of the simplifications available under IFRS 16.

Note 27 Carve out

The Siemens Group has decided to merge its Energy related business at a global level into a separate group to be listed by October 2020.

The Board of Directors of Siemens AS approved the demerger on 14 November 2019.

In Norway, the business units Digital Industries, Smart Infrastructure and Large Drives Automation Application will be spun off into a new company on 1 March 2020. The company will be named Siemens AS.

The Gas and Power business unit remains in the current company that will change its name to Siemens Energy AS (cf. note 2).

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Siemens AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Siemens AS, which comprise the balance sheet as at 30 September 2019, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 30 September 2019 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors (management) is responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs) 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 financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, 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 opinion. 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 internal control relevant to the 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 management;
- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a 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 financial statements or, if such disclosures are inadequate, to modify our opinion. 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion on the Board of Directors’ report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors’ report concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

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Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 27 January 2020
ERNST & YOUNG AS

Leiv Aschehoug
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

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