SIEMENS

Ingenuity for life

# Siemens A/S Annual report 2016/2017

**CVR-nr. 16 99 30 85**

Borupvang 9, 2750 Ballerup • **siemens.dk**

Translation Only*

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## Consolidated financial statements and parent company financial statements 1 October – 30 September



** This is an unofficial translation of the original Danish text. In the event of disputes or misunderstandings arising from the interpretation of the translation, the Danish language version shall prevail.*

# The year at a glance for the Siemens A/S Group

Overall, the Siemens A/S Group's financial performance in the financial year 2016/2017 was satisfactory.

The order intake was lower than in the previous year, which was, however, expected as the order intake in the financial year 2015/2016 was extraordinarily high. Due to the large order backlog, revenue increased by 13%.

In the financial year, the Siemens A/S Group realised a profit of DKK 175 million, which is up DKK 22 million on the year before. A significant part of the increased results stems from a one-off payment from a tenant in connection with the termination of a lease.

Dividend of DKK 137 million is expected to be distributed.

The Group's selling and administrative expenses increased compared to 2015/2016 as a result of the increased activity and general price and pay rises.

As of 2 October 2017, Siemens A/S sold its activities in Siemens Aeration Competence Center (ACC) in Elsinore to Howden.

As of the end of November 2017, Siemens A/S sold its equity interest in Siemens Healthcare A/S. The sale forms part of the planned independent listing of the Healthcare activities.

Siemens A/S announced the close-down of the production facilities for flowmeters in Sønderborg. The close-down will take place at the end of 2018.

On 26 September 2017, the Siemens AG Group announced that Siemens plans to merge its Mobility activities with Alstom. Siemens AG will maintain the controlling interest in the new company that will be headquartered in Paris and listed on the French stock exchange. The work on carving out the Danish activities is expected to be completed in 4. quarter of year 2018.

In recent years, Siemens A/S has handled certain central administrative functions for Siemens Wind Power A/S. In connection with the merger of Siemens Wind Power A/S and the Spanish windmill company Gamesa into Siemens Gamesa Renewable Energy A/S, the central functions were separated from Siemens A/S.

The average number of employees has decreased compared to 2015/2016, which is primarily due to the transfer of 114 employees to Siemens Wind Power A/S as part of the separation of the central functions from Siemens A/S.

In the coming financial year, the Group expects a reduction in staff due to the closing down of Siemens A/S' production facilities for flowmeters in Sønderborg and the sale of Siemens Aeration Competence Center (ACC) in Elsinore to Howden.

Based on a decreased order backlog at the end of the financial year 2016/2017, the Siemens A/S Group expects a decrease in revenue of up to 4% in the coming financial year.

Going forward, the Group's profit from ordinary activities is expected to be in line with 2016/2017.

Claus Møller
CEO, Siemens A/S

# Statement by Management

The Executive Board and the Supervisory Board have today discussed and approved the annual report and the Management's review of Siemens A/S for 2016/2017.

The annual report is prepared in accordance with the Danish Financial Statements Act.

We consider the accounting policies used to be appropriate. Accordingly, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 30 September 2017 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 October 2016 – 30 September 2017.

In our opinion, the Management's review gives a fair review of the matters discussed in the Management's review. We recommend that the annual report be approved at the annual general meeting.

**Ballerup, 5 December 2017**

**Management:**

Claus Møller
*(CEO)*

Jürgen Lippert
*(CFO)*

**Supervisory Board:**

Peter Højland
*(Chairman)*

Torkil Bentzen

Antonis Eleftheriou

Matthias Alfred Werner Grossmann

Kristian Poulsen

Ulf Gunnar Troedsson

# Independent auditor's report

## To the shareholder of Siemens A/S

**Opinion**
We have audited the consolidated financial statements and the parent company financial statements of Siemens A/S for the financial year 1 October 2016 – 30 September 2017. The consolidated financial statements and the parent company financial statements comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 30 September 2017 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 October 2016 – 30 September 2017 in accordance with the Danish Financial Statements Act.

**Basis for opinion**
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Management's responsibilities for the consolidated financial statements and the parent company financial statements**
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 in preparing the consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements**
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and can be considered material if it would be reasonable to expect that these – either individually or combined – could influence the economic decisions taken by financial statement users on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain an attitude of professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 Group's and the Parent Company's internal control.

# Independent auditor's report

- 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 in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 auditors' report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including note disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information for the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

**Statement on the Management's review**
Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we concluded that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 5 December 2017

Ernst & Young
Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28

Søren Skov Larsen
State Authorised Public Accountant

# Company details

**Siemens A/S**
Borupvang 9
DK-2750 Ballerup

| | |
|---|---|
| CVR no. | 16 99 30 85 |
| Established: | 1993 |
| Registered office: | Ballerup |

**Supervisory Board**
Peter Højland, Chairman
Torkil Bentzen
Antonis Eleftheriou
Matthias Alfred Werner Grossmann
Kristian Poulsen
Ulf Gunnar Troedsson

**Executive Board**
Claus Møller
Jürgen Lippert

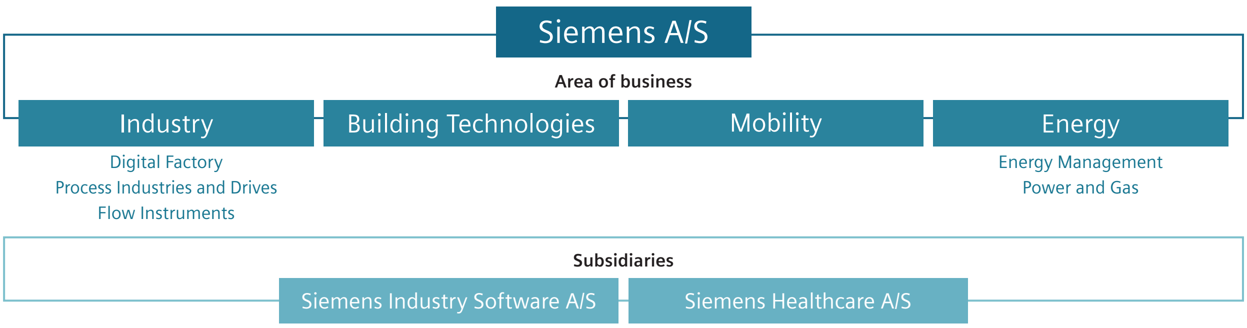
**Auditor**
Ernst & Young
Godkendt Revisionspartnerselskab
Osvald Helmuths Vej 4
DK-2000 Frederiksberg

Søren Skov Larsen

**General meeting**
The annual general meeting will be held on 5 December 2017.

# Group chart

### Siemens Group 30 September 2017




### Other Siemens activities in Denmark

The entities are affiliated companies and are not part of the consolidation of Siemens A/S.

- Siemens Finans Danmark – branch of Siemens Finans AB
- Mentor Graphics Scandinavia AB, Denmark Branch – Branch of MG Scandinavia AB
- S'PA GmbH Branch Denmark
- Siemens Gamesa Renewable Energy A/S

# 5-year financial highlights for the Siemens A/S Group

### 5-year financial highlights for the Siemens A/S Group

| DKK million | 2016/2017 | 2015/2016 | 2014/2015 | 2013/2014 | 2012/2013 |
|---|---|---|---|---|---|
| Revenue | | 3,656 | 3,323 | 3,507 | 3,646 |
| Operating profit | 242 | 208 | 191 | 181 | 150 |
| Net financials | -8 | -9 | -5 | -4 | -4 |
| **Profit for the year** | **175** | **153** | **135** | **126** | **103** |
| | | | | | |
| Dividends | 137 | 152 | 135 | 322 | 103 |
| | | | | | |
| Fixed assets | 132 | 357 | 430 | 388 | 225 |
| Non-fixed assets | 1,601 | 1,412 | 1,229 | 1,381 | 1,988 |
| **Total assets** | **1,733** | **1,769** | **1,659** | **1,769** | **2,213** |
| | | | | | |
| Share capital | 151 | 151 | 151 | 151 | 151 |
| Equity | 539 | 515 | 497 | 684 | 661 |
| | | | | | |
| Cash flows from operating activities | 268 | 150 | 180 | 47 | 180 |
| Cash flow from investing activities | -1 | -6 | -42 | -260 | -28 |
| Investments in property, plant and equipment | -7 | -10 | -43 | -37 | -34 |
| Cash flows from financing activities | -156 | -138 | -343 | -115 | -73 |
| – portion relating to net dividend distributions | -152 | -135 | -322 | -328 | -73 |
| **Total cash flows** | **111** | **6** | **-205** | **-328** | **79** |
| | | | | | |
| Average number of employees | 1,162 | 1,294 | 1,333 | 1,325 | 1,323 |
| | | | | | |
| Asset turnover | 2.4 | 2.1 | 1.9 | 1.8 | 2.0 |
| Return on equity | 33.3 | 30.2 | 22.9 | 18.7 | 16.0 |
| Operating margin (%) | 5.9 | 5.7 | 5.7 | 5.1 | 4.1 |
| Return on capital employed (%) | 13.9 | 12.2 | 11.1 | 9.1 | 8.0 |
| Solvency ratio (%) | 31.4 | 29.1 | 30.0 | 38.7 | 29.9 |

Financial highlights are including discontinued operations.
Comparative figures are restated to reflect demergers and mergers.
Comparative figures have not been restated to reflect additions/disposals of business segments.

**Definitions of financial ratios according to the Danish Society of Financial Analysts:**

**Asset turnover**
The year's revenue relative to average operating assets.

**Return on equity**
Profit/loss for the year relative to average equity.

**EBIT margin**
Operating profit/loss before interest as a percentage of revenue.

**Return on assets**
Operating profit/loss before interest as a percentage of average operating assets.

**Solvency ratio**
Closing equity as a percentage of total liabilities at year-end.

# Operating review

Siemens A/S has been present in Denmark since the middle of the 19th century when the Group produced telegraphic equipment and the first lighting systems.

The Group was formally incorporated on 24 April 1893 when Technisches Bureau Kopenhagen opened. Since then, Siemens has participated actively in the modernisation of Danish society, supplying state-of-the-art products and solutions and with relentless focus on electrification, automation and – most recently – digitalisation. In 2018, Siemens can celebrate its 125th anniversary in Denmark.

Siemens is closely associated with the electrification of society, which has been – and still is – the prerequisite for the development of a modern society. It is Siemens' strategy to focus its business on the growth potentials inherent in the entire electrical value chain – from production to transmission of electricity to efficient utilisation of electrical energy. The digital revolution is paving the way for new innovative products and solutions that will affect all areas of social life, and Siemens therefore focuses on developing digital solutions within all business areas.

The Siemens AG Group is very aware of its social responsibility and bases its business and strategy on the sustainability principles, which are described in UN Global Compact, and the Group contributes actively in promoting the 17 global goals that the UN adopted in 2017. Consequently, we have developed a sustainability and CSR policy designed to support Siemens' activities as a responsible Danish business and contribute to driving Denmark in a more sustainable direction.

The Group's efforts are multiple – in relation to the business, the employees and in relation to the environment and society.

To Siemens, sustainability is closely related to the business, and the Company's efforts to mitigate climate change are reflected in a large portfolio of products and solutions that contribute to reducing our customers' $CO_2$ emission. As part of these efforts, Siemens AG announced in 2015 that the Group's target is to reduce its own $CO_2$ emission by 50% in the period to 2020 and to be a completely $CO_2$ neutral business by 2030. These targets also apply to Siemens' activities in Denmark.

As to our employees, we continued our overall focus on health, and our sports club Siemens@ctive contributes to increasing focus on the importance of exercise.

Biennially, the Siemens AG Group carries out a global employee satisfaction survey focusing on our employees' opinion about and commitment to their workplace, including questions on management, values, culture, diversity, integrity, etc. The survey was carried out in April and May 2017, and the results were discussed with the employees during August and September.

As regards our efforts in respect of society, Siemens prioritises contributing to the interest in natural science educational programmes, in particular the engineering profession, as it is essential to Siemens and the Danish society at large to have access to highly qualified manpower now and in future.

As part of the follow-up on our CSR efforts, Siemens has identified a number of KPIs, which are reported on a regular basis in order to follow trends and identify the need of new initiatives. A selection of these KPIs are reflected in the Management's review for this year.

Since 1999, Siemens AG has been rated by the Dow Jones Sustainability Index, and the most recent rating of 100 points in September 2017 again makes Siemens AG one of the leading enterprises in the index. Moreover, Corporate Knights proclaimed Siemens AG the world's most sustainable company in 2017 in competition with approx. 4,000 companies with a market value of minimum USD 2 billion.

# Our business – risks and management system

Siemens A/S' Group is organised in five business areas each of which represents one or more of Siemens AG's divisions.

The divisions market Siemens AG's products and solutions to private and public customers in Denmark either directly or through distributors and agents. Cooperation between the divisions is ensured, e.g., through Siemens' Key Account Management, which has been implemented across sectors. Our targeted efforts in relation to a number of major customers also make Siemens less sensitive to general market fluctuations.

The portfolio is very broad, spanning sale of individual components and products to large, complex projects in which engineering and project management are important elements of the total service delivery. These projects are often long-term, and successful implementation calls for close cooperation with the customer's project organisation.

## Corporate Governance

In addition to applicable legislation, the management processes in Siemens A/S are based on the Company being a subsidiary of the German Siemens Group. Moreover, Siemens A/S strives to comply with applicable corporate governance standards. Among other things, this is reflected in the composition of the supervisory board, which includes independent members, and the board's procedures, which largely reflect the recommendations on corporate governance.

## Risks

The Group's most significant operational risks are related to its ability to handle major, complex projects and construction projects in accordance with agreed performance specifications and deadlines. Therefore, Siemens focuses on training and certifying project managers. Moreover, Siemens has issued guidelines for the approval of projects of a certain size and complexity.

A large part of Siemens A/S' business relates to the wind sector, including the supply of components for the wind turbine industry and transmission solutions for offshore wind farms. Consequently, declining activity in the wind sector will have an adverse impact on potential revenue growth in several divisions.

In addition to market decrease and large projects, also the hacking of Siemens' systems, breach of the provisions of the Danish Competition Act and supplier failures expose the business to risk. Siemens continuously focuses on minimising risks, and Siemens' management systems are particularly designed to address these risks.

Siemens' management system is detailed below – the handling of financial risks, including currency, interest rate and credit risks, is detailed in the following section.

## Management system

Siemens A/S has an integrated management system, which includes the quality of Siemens' supplies as well as the internal and external environment. The management system is certified in accordance with ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (work environment), verified by Lloyd's every six months in order to identify deviations and improvement initiatives. The management system is re-certified every third year, most recently in February 2016.

Siemens Business Conduct Guidelines (BCG) hold Siemens AG's general principles and rules as to how we wish to run our business with due respect to applicable legislation and international and generally recognised conventions regarding human rights protection, anti-corruption, etc. Once engaged, all employees must sign the BCG, which is explained to them in more detail during the introductory period. Furthermore, employees are offered courses on selected topics to ensure that they are up-to-date on statutory requirements and the Group's guidelines. In 2016/2017, 50 employees attended Siemens' basic compliance course. As part of the annual "integrity dialogue", 300 employees also attended training regarding ,for instance, compliance with competition laws and the rules on data protection.

Compliance officers have been appointed to disseminate the compliance culture in the Company, and a whistleblower scheme has been established to allow employees and external parties to report irregularities anonymously. No irregularities were reported in the Siemens A/S Group in the year under review.

Furthermore, Siemens AG has established a comprehensive system to handle risks by means of systematic controls that ensure that Siemens' internal rules are observed, and that the financial statements give a true and fair view. Risk and internal control officers have been appointed to organise the extensive control effort. Export control is another principal focus area, and Export Control and Customs (ECC) officers have been appointed to ensure that Siemens observes the export control rules.

Given today's increasing digitalisation, requirements as to protection against unauthorised intrusion into data and communication systems increase. Information security is a focal point to Siemens, and efforts are made to continuously improve preventive controls and to increase the ability to detect hacking attempts. In addition to technical solutions, it is essential that employees are constantly attentive to information security. Therefore, measures such as online training and webinars are carried out – most recently in the spring 2017 where 95% of our employees attended online training in information security.

As a result of EU regulation 2016/679 regarding protection of information privacy, we have in 2017 initiated a project to ensure that the Siemens A/S Group complies with the new EU requirements for handling personal data coming into force on 25 May 2018. This work is progressing as planned.

### Supplier responsibility

Suppliers make up a significant part of the overall value chain, and Siemens AG considers it part of its responsibility to ensure that the Company's suppliers live up to high standards.

For purposes of elucidating Siemens' principles for good business conduct, the company has prepared a Code of Conduct to be observed by all the company's suppliers. Siemens' "Code of Conduct for Siemens Suppliers" is based on the UN's Global Compact, which lays down principles regarding, for instance, protection of human rights, freedom of association, abolition of child labour and discrimination, protection of the environment and anti-corruption.

When entering into particularly close business relations with Siemens, enterprises and other stakeholders (Business Partners) are furthermore subjected to a compliance due diligence process.

Siemens AG is the principal single supplier in relation to Siemens A/S. To ensure that the Company's third-party suppliers observe all applicable guidelines, all suppliers that provide services exceeding EUR 50,000 a year to Siemens A/S are subjected to an annual quality, supply security, environmental management and security check. This check contributes to reducing the risk of supplier failure and supply chain compliance issues.

### Customer satisfaction

Customer satisfaction is measured once a year by means of the internationally recognised Net Promoter Score (NPS), which assesses to which extent customers would recommend Siemens to other parties. Based on the results of the survey, measures are taken to improve services and performance in areas pin-pointed by our customers.

The latest NPS, which was performed in the spring of 2017, showed that customer satisfaction has increased after a minor decline in 2016. The increase is primarily a result of positive developments in the divisions Building Technologies, Process Industries & Drives as well as Siemens Healthcare A/S. The development in the average score is listed in the table below.

**Development in the customers' evaluation* of Siemens A/S**

| Customer satisfaction | 2016/2017 | 2015/2016 | 2014/2015 |
|---|---|---|---|
| **Customers' evaluation of Siemens (average on a scale from 1 to 10)** | 8.2 | 7.9 | 8.0 |

* Question: How likely is it that you would recommend Siemens to a colleague or a business partner?

In addition to the annual survey, a few of Siemens' divisions regularly measure the level of customer satisfaction in connection with projects and service supplies.

# Siemens' environmental portfolio

## Siemens' environmental portfolio

Global warming poses a challenge to our society, e.g. in the form of increasing water levels in the oceans and extreme weather conditions occurring more frequently such as rain and draught. Therefore, it is important to reduce the increasing $CO_2$ emissions to the atmosphere.

However, as the world needs more and more energy, it is also important to develop alternatives to fossil fuels and to optimise energy consumption. Siemens makes its contribution through one of the world's largest portfolio of environmentally friendly solutions and products that help reduce $CO_2$ emissions and thereby contribute to the reduction of global warming. Such solutions include measures to increase energy efficiency in the industry and in power plants, reduce energy consumption in buildings and produce renewable energy based on wind.

According to the latest statement at group level, Siemens AG's environmental portfolio accounted for 47% of total revenue at 30 September 2017, which represents an increase of one percentage point compared to the year before. According to the same statement, the Group's environmental portfolio also contributed to reducing the customers' $CO_2$ emissions by an accumulated 570 million tons, representing an increase of nearly 9% on the year before.

In Denmark, Siemens' environmental portfolio also contributes to reducing $CO_2$ emissions and improving the environment.

In the year under review, Siemens won new orders for energy optimisation projects, which contributes to reducing energy consumption in the buildings and, hence, $CO_2$ emissions. At the same time, the solutions contribute to better indoor climate and thus a better working environment.

Siemens is in the process, together with Aarsleff Rail A/S, of electrifying the remaining part of Denmark's railway network, which will reduce $CO_2$ emissions from the transport sector. The first stretch, (Esbjerg-Lunderskov), has been completed, and the work on the next stretches is processing as planned.

Siemens is implementing the order regarding the establishment of the HVDC connection to the Netherlands, which strengthens Denmark's connections to the surrounding world, which thus contributes to ensuring the basis for the expansion of renewable energy through a coherent transmission network.

Siemens has won a number of orders for the supply of transmission equipment for offshore wind turbine parks near Great Britain. Furthermore, in its capacity of subsupplier for the wind power industry, Siemens A/S has supplied a major share of the components used in Danish wind turbines.

Siemens A/S' sister company, Siemens Gamesa Renewable Energy A/S, also contributes considerably to the reduction of $CO_2$ emissions by installing wind turbines and has a leading position in the global market for offshore wind turbine parks.


### Large potential for electrification of ferry services

Electrification of society is a significant prerequisite for reducing carbon emissions as electrification increases the application potential of alternative energy. The transport sector is an important sector in this respect as a significant part of Denmark's carbon emissions stem from this sector. In October 2016, Siemens published a report showing that it would be profitable to change 39 of the 52 near-shore domestic ferries to electrical operation. At the same time, the change would entail a significant reduction of the emission of $CO_2$.

# Siemens A/S – business segments

## Industry

Industry represents Siemens AG's divisions Digital Factory and Process Industries and Drives. Siemens' Danish Flow Instruments' production facilities are also part of the Industry segment.

Industrial software activities are handled by the subsidiary Siemens Industry Software A/S.

Sales in Denmark developed positively with revenue growth in 2016/2017 compared with the year before which is attributable to several major customers noting a positive development and the influx of new customers.

### Digital Factory and Process Industries and Drives

The two divisions' products and solutions range from standard products to system solutions for energy and automation technology. Siemens' products can thus be used in all areas of the industry, since they bridge state-of-the-art process instruments, installation and switching devices as well as the so-called drivetrain solutions, which optimise gear, clutch, motor and frequency converters to achieve lower energy consumption and innovative automation solutions.

As the leading supplier of industry software, Siemens contributes to optimisation and digitalisation of the entire value chain in production companies – from production design and development to sale and services. In this connection, the Group has recently launched MindSphere, which is Siemens' open cloud-based IoT (Internet of Things) operating system. MindSphere renders possible intelligent use of the data generated in connection with the companies' production to for instance monitor production in order to carry out preventive maintenance.

The divisions' sales are divided into direct sales to end customers in the industry and sales handled by distributors and certified Solution Partners. A large part of the sale of products and components takes place on-line via Siemens Industry Mail.

### Flow Instruments

Flow Instruments produces electronic gauges based on the Coriolis technology. R&D activities are also carried out regarding mechanical and electronic meters based on for instance magnetic, inductive and ultrasound technologies.

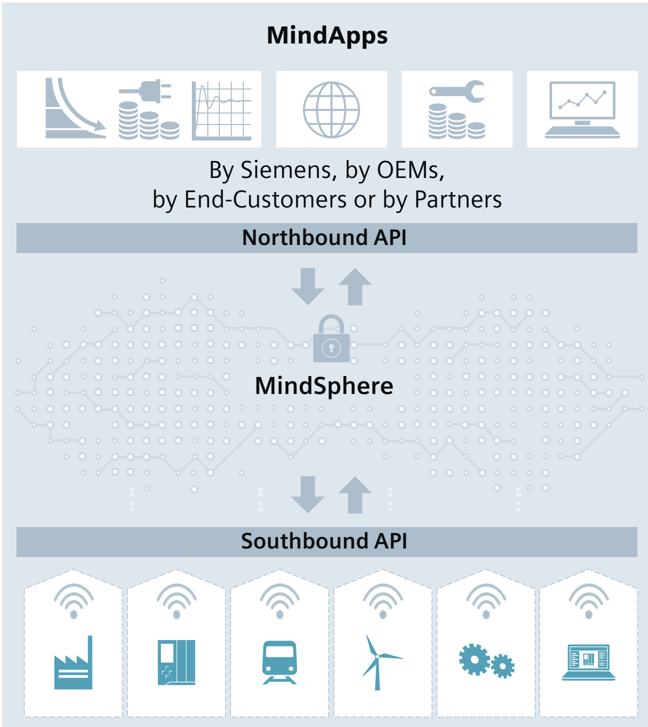
However, revenue from digital flow instruments has not developed as anticipated, which is primarily due to the development in the oil and gas market, and it has therefore been necessary to move development and production to existing facilities abroad. The close-down of the production facilities in Sønderborg is expected to be effected at the end of 2018.

### Siemens Industry Software A/S

The subsidiary Siemens Industry Software A/S supplies product design solutions (Product Lifecycle Management, PLM) and the software solution COMOS, which is directed at the process industry.

The software products and related services from Siemens Industry Software A/S are a part of Siemens' overall Digital Enterprise portfolio.

Following the addition of a new major account, revenue increased considerably in 2016/2017.




### Several Danish companies have chosen to invest in MindSphere

MindSphere is an open cloud-based IoT operating system, where production companies and other companies can store and monitor their production data and, over time, also automatically handle firmware and security updates, receive diagnostics alarms from production or automatically exchange data with ERP systems, CRM systems or other cloud-based solutions. This functionality is based on a system of apps that can be programmed by Siemens, the customer or partners.

# Siemens A/S – business segments

## Building Technologies

Building Technologies supplies products and solutions for buildings, which save energy, increase comfort and provide security by protecting people and values. Solutions may be supplied individually or as end-to-end solutions comprising management of light, heating and ventilation as well as video surveillance, access control, anti-theft protection and fire detection/fighting.

Siemens is one of the leading suppliers in the market, servicing a broad palette of private and public customers. The combination of a high competence level and a strong portfolio of solutions means that Siemens can meet very specific requirements in projects spanning, e.g., the pharmaceutical industry and preservation-worthy buildings.

Revenue generated by Building Technologies in 2016/2017 developed positively, among other reasons due to a number of major energy optimisation projects. As a so-called ESCO supplier (Energy Service Company), Siemens offers energy renovation solutions with guaranteed savings. This segment develops very positively, including continued expansion of the customer portfolio in municipalities, regions and hospitals as well as private enterprises.

Denmark is well advanced in Europe when it comes to energy retrofitting of buildings. In May, European Energy Service Award honoured Denmark's largest ESCO project at Hvidovre Hospital as the best energy retrofitting project in 2017. The project will ensure the hospital annual energy savings of 33%, which is guaranteed by Siemens. The project is expected to be completed in 4. quarter of calendar year 2018.

### Digitalisation helps optimise operation of buildings

Digitalisation improves the possibility to optimise operation of buildings considerably. With the management platform DesigoCC, data are collected from a wide number of operating systems in a building. For instance, controlling the room temperature, ventilation, lighting and access in hotel rooms can be integrated with the booking system, which increases comfort and reduces costs.

## Mobility

Mobility supplies transportation and logistics solutions designed to ensure reliable and environmentally friendly infrastructure for railways, harbours, airports, etc. and solutions designed to handle challenges posed by growing traffic density due to increasing urbanisation. The division thus employs a large number of specialists supplying IT and communication solutions to the Danish transport sector and foreign projects.

Revenue in the Mobility division increased in 2016/2017, which is primarily due to changes in delivery plans for a number of large projects won by the division in recent years. These projects span several years, and revenue will vary year on year depending on the progress of the projects.

As for the new signalling system for the city railway, the first stretch between Hillerød and Jægersborg is now in operation and the work with the next stretches proceeds as planned. The total project is expected to be complete in 2021.

In connection with the electrification of the railroad, the first stretch between Esbjerg and Lunderskov has been opened, and the work on the stretch Copenhagen-Køge-Ringsted has been commenced. The total electrification project is expected to be complete in 2026.

Other major ongoing projects include the installation of mobile communication equipment (GSM-R Voice) in the Fjernbane trains and the S-trains, the lifetime extension of the existing train control system (ATC) and the development of communication modules ensuring that the ATC system can communicate with the new European Rail Traffic Management System (ERTMS) that is being implemented on the Fjernbane. The projects proceed according to plans.

The digitalisation will greatly impact the transport sector as it will be possible to design integrated solutions by integrating both public and private transportation when planning travels. With Rejseplanen and Rejsekortet, Denmark has taken a big step towards a more integrated system that can be expanded using digital solutions.

As part of its digitalisation strategy in the transport section, Siemens has launched the Railigent® platform, which is based on Siemens' cloud-based MindSphere solution. Railigent® makes it possible to optimise the operation of rolling stock to ensure maximum utilisation of the equipment by collecting and analysing data regarding the operation of the train.

On 26 September 2017, the Siemens AG Group announced that it plans to merge its Mobility activities with Alstom. Siemens AG will maintain the controlling interest in the new company that will be headquartered in Paris and listed on the French stock exchange. The work on carving out the Danish activities is expected to be completed during 2018.

### Additional examples of integrated transport solutions

Siemens has gained more experience with integrated transport solutions in Germany. For instance, in cooperation with Verkehrsverbund Berlin-Brandenburg Siemens has designed an integrated transport planner covering both public transportation, shared cars, shared bicycles, taxi cabs and parking. And in cooperation with Südostbahn in Switzerland, Siemens has developed an app-based ticketing system.

# Siemens A/S – business segments

## Energy

Energy represents the Siemens AG Group's Energy Management and Power and Gas divisions, which also include Power Generation Services.

Revenue reported by the Energy division in 2016/2017 showed massive growth owing to considerable progress on projects won in prior financial years.

### Energy Management

Energy Management is engaged in transmission and distribution of energy where Siemens is one of the leading, global providers of products, systems and solutions for the electricity grid. The portfolio includes among other things low- and medium-voltage equipment, net stations, switchgear and transformers as well as high-voltage equipment.

In Denmark, Energy Management supplies, e.g., HVDC systems and systems for transmission of power from the high-voltage grid to the distribution network as well as transformers for offshore windmill parks. The primary customers are energy and utility companies as well as major industrial enterprises. Moreover, the division delivers equipment such as transformers and GIS plants to the Danish wind turbine manufacturers – activities that have seen high growth in recent years.

A lot of the division's activities are located outside Denmark, and in recent years, the division has won a number of orders for electrical equipment comprising for instance medium and high-voltage plant for wind farms near Great Britain and the German part of the North Sea. Moreover, the work on establishing a HVDC connection to the Netherlands (project Cobra) has been commenced.

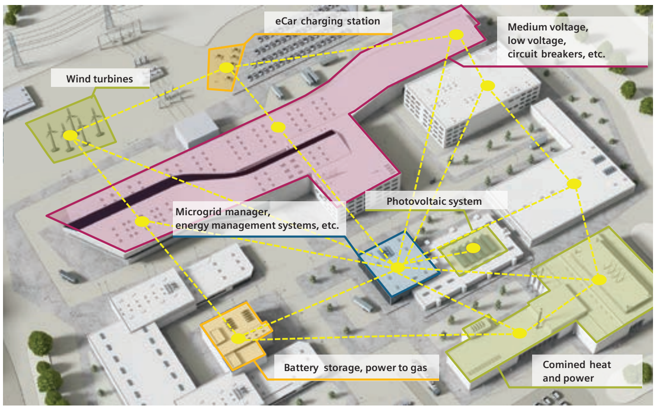
### Power and Gas

Power and Gas develops innovative technologies designed to make power production as efficient as possible. The product range includes steam and gas turbines, compressors and plant control, adjustment and monitoring systems. The division further undertakes service and maintenance tasks, including modernisation and upgrading of equipment. The primary customers are power plants, industrial, energy and utility companies and the oil and gas industry.

Major projects in 2016/2017 included the supply of steam turbines, generators and control systems for the new incineration plant on Amager. The project was initiated in 2013 and was, originally, to be completed in 2016. However, the plant has been delayed and is not expected to be completed until 2018, and therefore, the final settlement has been postponed to the next financial year.

In 2016/2017, the division won a number of new orders, including supply a control system to Amagerværket.

Power and Gas also includes the Aeration Competence Center (ACC) in Elsinore, which handles the development and supply of environmentally friendly and energy-efficient products and solutions for aeration in connection with, e.g., sewage treatment, flue gas desulphurisation and fermentation. In connection with the Siemens AG Group's disposal of its steam turbine and compressor activities, which was announced in March, these activities have been sold to Howden, who will carry on the activities. Howden is a subsidiary of Colfax Corporation, which is headquartered in the US. The formal transfer of the Danish activities took place on 2 October 2017.




### The digital energy management of the future

The increasing dissemination of non-fossil and decentralised energy sources entails a growing need for efficient monitoring and control of the overall energy system, including new energy storage technologies, that can reduce the need for expanding the electricity grid.

## Healthcare

Siemens Healthcare A/S represents the Siemens AG Group's Healthcare business (Siemens Healthcare GmbH), which comprises the Diagnostics Imaging, Advanced Therapies, Ultrasound, Laboratory Diagnostics, Point of Care Diagnostics and Services. Services include workflow optimisation, operation and maintenance as well as servicing of equipment already installed. Products and solutions are marketed under the name Siemens Healthineers.

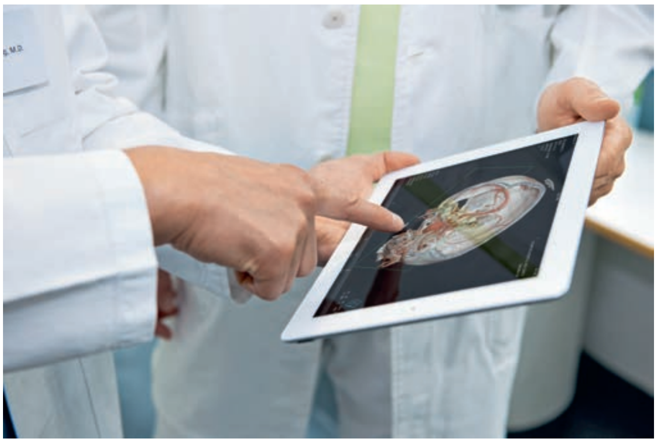
Siemens Healthineers is one of the leading suppliers of innovative products and solutions for the public sector and private businesses in Denmark. Siemens Healthineers is a full-line supplier of solutions within image diagnostics, digital and conventional X-ray equipment and MR, CT and PET scanners, ultrasound systems, as well as laboratory equipment for hospitals and general practitioners.

In the healthcare IT segment, Siemens Healthineers supplies systems for electronic filing and exchange of images (RIS/PACS systems), the syngo.via visualisation platform, which can be applied across equipment and locations, as well as IT-based filing solutions (VNA), which can simplify and improve cooperation between health professionals in various areas. Siemens Healthineers is thus well-positioned to utilise the large volume of data in the healthcare sector to improve the quality of treatment and optimise business procedures.

Siemens Healthineers strengthened its position in the Danish market in 2016/2017 through a number of new orders, including new laboratory automation systems for the hospitals in Viborg and Silkeborg, Magnetom Skyra MR scanners for DNU and Regionshospitalet Randers, a Flash CT scanner for Bispebjerg Hospital and upgrading of a number of MR scanners in Region Zealand.

The increased order intake entailed a considerable rise in revenue in 2016/2017 compared to 2015/2016.

In 2018, the Siemens AG Group plans to carry out a separate listing of the Healthcare activities.



### New system for storing image data

In 2017, Siemens Healthineers supplied a Vender Neutral Archive (VNA) to the Region of Southern Denmark. Initially, the VNA will be used for image data storage from the Department of Oral Surgery at Odense University Hospital and the Department of Nuclear Medicine in Esbjerg. VNA is fully integrated with the Region of Southern Denmark's IT infrastructure, and it is possible to extend the use to other specialities across the Region as the regional infrastructure is standardised and consolidated. Today, our digital solution supports more than 120 different image data formats.

# Employees

## Employees

One of the Company's key assets is its skilled, innovative and highly committed employees. Activities to support employees' skills and commitment are therefore prioritised, and measures are implemented on a current basis to improve employees' health and job satisfaction as well as their professional and personal development.

Employee commitment and job satisfaction are therefore gauged every other year in a global employee satisfaction survey forming the basis for dialogue and improvement measures in the entire Company. The most recent survey was carried out in April-May 2017, and 643 employees participated, corresponding to 78% of total employees, which is a slight increase compared to the 2015 survey, where the response rate was 75%.

The Group had changed the concept of the survey in 2017, which makes it difficult to compare the results with the 2015 survey. Three of the questions from the previous "engagement index" were, however, included, and a comparison of the answers to the corresponding questions in 2015 shows that the score fell from 89% to 83%, which indicates lower commitment.

Some of the strenghts identified in the 2017 survey include that the employees feel that they can be themselves on the job, that their opinions are taken into account and that they feel safe to express their opinions. In contrast, the employees point out that the support for job rotation and trying out new work methods can be improved.

The results have been reviewed at staff meetings in August and September, and specific improvements measures for the individual departments have been agreed based on this dialogue.

| Employee commitment | 2016/2017 | 2015/2016 | 2014/2015 |
|---|---|---|---|
| **Overall score in per cent 1)** | 83 % | Not completed | 89 % |

1) The score is based on the answers to three selected questions. Previously, three additional questions were included in the score. The figure includes Siemens A/S exclusive Flow Instruments.

## Diversity

The Siemens AG Group strives to promote diversity across its global entities. The goal is for the business to reflect the surrounding society, and diversity is considered a valuable source of innovation and development.

On this basis, and by reference to Act no. 1383 regarding goals and policies for the underrepresented gender, the Supervisory Board of Siemens A/S has set the goal that the ratio of women appointed by the company in general meeting should be 20% in 2017. As the Supervisory Board counted no female members appointed by the Company in general meeting at 30 September 2017, the goal has not been met. Even though the composition of the Supervisory Board was changed in 2016/2017, it has not been possible to reach the goal, as the new board member was elected as representative of Siemens' Nordic management. Consequently, the Supervisory Board has chosen to extend the goal to 2020.

In recent years, Siemens A/S has experienced a decline in the share of female leaders, and therefore, an analysis of the conditions and barriers, if any, that can help the Company obtain a larger share of female leaders was conducted in 2017. On this basis, the short-term goal is to reverse the trend and reach a share of 20% in 2020. The long-term goal is to have the same share of female leaders as the share of female employees, which is currently 23%.

To reach the goal, we will increase our efforts to improve the recruitment base by attracting a large share of women with technical/engineering background. Moreover, we will work on minimising the barriers preventing women from realising their career potential by changing our policies for external recruitment and talent development and changing our management culture to further acknowledge both masculine and feminine values and skill sets. Moreover, we will continuously focus on the gender composition in the Company to increase awareness of unconscious values and codes guiding behaviour.

As part of our new policy for diversity and recruitment, we will change our job ads so that they approach women to a larger extent. In terms of both external and internal management recruitment, we will attach importance to an overall assessment of the candidates comprising both technical skills and staff management skills, and we aim to have at least one female candidate on the list of candidates for each position.

Moreover, we want to create greater flexibility in relation to career development, so that employees' different phases of life are taken into consideration, and more women will be selected to participate in Siemens' Nordic talent programme.

The ratio of female employees in the Siemens A/S Group is 22%, but only 10% in the more "heavy" engineering-related job functions (sale, technical service, project management and engineering). Since executive positions are to a wide extent filled by persons undertaking these job functions, reaching the 20% goal is some challenge.

In connection with changes in the Group's position level system, it has been decided that we will no longer focus on management positions at position level PL5 and above. Going forward, the goal will apply to all management personnel regardless of position level. As more women are represented at the lower position levels, this means that the total share of female leaders is higher than in the past statement.

| Female leaders | 2016/2017 | 2015/2016 | 2014/2015 |
|---|---|---|---|
| **No. of women in executive positions 1)** | 14 % (12 %) | 16 % (13 %) | 19 % (14 %) |

1) Includes the ration of women with management responsibility (the ration of women employed at Siemens' position level PL5 and above is shown in brackets). The figures include the Siemens A/S Group.

## Working environment

Siemens targets high standards for the Company's safety and health efforts in order to facilitate an attractive working life and ensure quality and efficiency in the design of solutions.

Siemens targets to reduce the number of work accidents and disease cases to a realistic minimum – beyond current workplace requirements. Siemens encourages its cooperation partners to share this ambition and works with both customers and suppliers to implement ongoing improvements.

As safety and health are an integral part of the business and day-to-day operations, it is important that all employees are allowed to work in a safe environment by providing safe processes, high educational standards and a working environment organisation that matches the Company's objective. As part of this effort, a nationwide occupational health and safety day was arranged for all company work environment representatives.

Siemens A/S is OHSAS 18001-certified and regularly performs analyses of the physical and mental working environment (workplace assessments). The latest workplace assessment took place in June 2016 and showed a generally high level of workplace satisfaction among the employees: 89% were satisfied with their job and 75% were satisfied with the working environment. Based on the survey, it was decided to initiate a number of improvement measures, which have widely been implemented. The next workplace assessment is expected to be carried out in October 2019.

The number of accidents with absence exceeding one day increased in 2016/2017 and now exceeds the goal set of a maximum of 3 accidents per million working hours. The increase is primarily due to an increase in the number of fall and stumble injuries. However, an analysis of these injuries shows no specific pattern, and it is therefore expected that the number of accidents will decrease to a normal level in the coming financial year.

The statistics for absence due to illness showed a declining trend in 2016/2017.

| Accidents and absence due to illness | 2016/2017 | 2015/2016 | 2014/2015 |
|---|---|---|---|
| **No. of accidents with absence per million working hours 1)** | 5.9 | 2.8 | 1.3 |
| **Absence due to illness as a percentage 2)** | 2.0 % | 2.4 % | 2.9 % |

1) No. of accidents with absence exceeding one day measured by reference to the total number of prescribed working hours.
2) No. of hours absent owing to own or child's illness as a percentage of the total number of prescribed working hours.

# Employees

### Health

Job satisfaction and health are top priorities in Siemens. This is, e.g., demonstrated in the canteens, which are committed to making healthy food. In addition, all employees have access to free fruit, and several locations have their own fitness centres.

All employees are covered by a mandatory insurance programme in case of critical illness as well as a general health insurance programme.

Furthermore, all salaried employees are covered by schemes under which they can be treated for work-related muscle and joint injury by a chiropractor, physiotherapist, zone-therapist or masseur. They can also book a general health check.

The sports club Siemens@ctive provides the employees with various sports activities such as running, cycling and fitness. Siemens also participates in the "cycle to work" campaign, and this year 49 teams participated in the annual DHL baton race.

Siemens plan to carry out an internal certification (healthy@siemens) in 2017/2018 as part of the development of the Company's healthcare offerings.

### Competence development

Striving to be an attractive workplace for both current and new employees, Siemens prioritises ongoing training of its employees' turf.

Therefore, competence development is a matter of high priority in Siemens. The Performance Management Process (PMP) is a management concept that has been implemented across the global Siemens organisation. The purpose of the PMP is to provide each individual employee with tools and motivation to do his or her best in accordance with the Company's objectives and strategy. As part of the PMP process, each employee's performance in the past financial year as well as his/her potential to undertake new positions in the future are evaluated.

### Project manager certification

Siemens has its own project manager training programme, which is designed to ensure a high quality of the Company's projects and thereby minimise the risk of loss. All projects generating revenue in excess of EUR 2.5 million must therefore be manned by a certified project manager, and project managers are continuously being trained and certified to ensure that the necessary resources and skills are available at all times to handle the various project categories.

In 2016/2017, another four project managers were certified in Siemens A/S, bringing the total number of certified project managers to 28 at 30 September 2017. As for project controllers, five employees were certified in 2016/2017, bringing the total number of certified project controllers to 15.

### Key account manager certification

Similarly, Siemens has its own training programme for key account managers, who may become certified. This ensures high and uniform standards in relation to Siemens' advisory services and sales to key account customers. The programme also allows each individual key account manager to improve his or her competences in areas such as strategic sales, finance, management, cooperation, etc.

# Environment

## Environment

The Siemens AG Group aims at halving the Group's $CO_2$ emission in 2020 compared to 2015 and at being $CO_2$ neutral in 2030. These group targets also apply to Siemens A/S.

Certified according to ISO 14001, Siemens A/S has laid down general environmental impact reduction goals. Key parameters in this connection are the consumption of electricity, heating and water, carbon dioxide emissions from cars and transportation and waste volumes.

Siemens A/S' headquarters at Borupvang are certified in accordance with the so-called LEED Gold standard (Leadership in Energy and Environment Design) where targets have been set for the consumption of electricity and heating. The gauges that have been made still show a decline in the consumption in these areas.

The total volume of waste declined in 2016/2017, and the share that is recycled increased by one percentage point.

Following an increase in 2014/2015, Siemens' consumption of water has now decreased.

| Waste and consumption of electricity, water and heating 1) | 2016/2017 | 2015/2016 | 2014/2015 |
|---|---|---|---|
| **Total volume waste in tons** | 117.5 | 124.0 | 113.7 |
| **– hereof portion to be recycled as a percentage** | 55 % | 54 % | 42 % |
| **Consumption of electricity in kWH per m² (LEED target: 84)** | | 75.0 | 76.7 |
| **Consumption of heating in kWH per m² (LEED target: 80)** | 29.5 | 36.0 | 39.0 |
| **Consumption of water in litres per m² (no target)** | 362.0 | 389.2 | 360.3 |

1) At the address Borupvang 9.

Siemens A/S meets its annual consumption of electricity via Ørsted (previously DONG Energy) with renewable energy certificates from the Anholt wind farm. By purchasing certificates, Siemens A/S ensures that the Company contributes to more renewable energy production in Denmark. Ørsted and an independent auditor guarantees that an amount corresponding to the supplier's net income is reinvested or donated to promote the development of or research into the production of renewable energy in Denmark.

Another important source of $CO_2$ emission is the Siemens Group's company cars. As part of the goal to halve the Group's $CO_2$ emissions from company cars, Siemens AG aims to reduce the emission to 95 g/km in the period up to 2020. The former target for 2015 was 120 g/km.

The table below shows the trend in $CO_2$ emissions from company cars owned by the Siemens A/S Group.

| $CO_2$ emissions from company cars 1) | 2016/2017 | 2015/2016 | 2014/2015 |
|---|---|---|---|
| **Standard emissions** | 117.7 | 120.4 | 128.6 |
| **Actual emissions** | 167.3 | 169.3 | 175.1 |

1) The survey shows emissions from the total portfolio of company cars with white licence plates in the respective financial years. The figures for the actual emissions in 2014/2015 are updated by information about fuel purchased outside Denmark.

The standard figure for the total portfolio of company cars at 30 September 2017 was 117.7 g/km, which is a decrease of approx. 2% compared with last year. The actual emission also decreased but is still significantly above standard.

As from 1 September 2017, EU replaced the previous test procedure for measuring the $CO_2$ emission of new cars with a more realistic model. When the consequences thereof are known, Siemens AG will take new measures to ensure a considerable reduction of the $CO_2$ emission of company cars in order to reach the Group's targets. When these measures are known, they will be implemented in the car policy of Siemens A/S as far as possible.

# Local communities

## Local communities

Siemens takes an active part in its communities, both nationally and locally, by contributing to its local communities. The support for activities in the local communities primarily relates to education where Siemens want to contribute to increase the interest in science and technology for both genders. Moreover, Siemens is an active player in Denmark's annual Politic Festival on Bornholm, where the management team participates in a number of debates.

## Cooperation with research and educational institutions

Siemens has historically worked with the best educational institutions, including institutions of higher education and universities. The purpose of this cooperation is to establish direct contact to talented students who may one day wish to become part of the company's innovative staff.

Back in 2006, Siemens established a Center for Knowledge Interchange (CKI) at the Technical University of Denmark (DTU). This was the first CKI cooperation established by Siemens outside Germany, and in Denmark, particularly Siemens Gamesa Renewable Energy (previously Siemens Wind Power) benefits from the cooperation.

In 2017, Siemens co-organised DTU Spin-Out Day, where students from various technical fields presented their projects to a panel of investors, company representatives and technology specialists. Moreover, the annual CKI conference took place in September focusing on machine learning, artificial intelligence, big data and intelligent energy solutions.

As from 1 October 2017, the cooperation changes as DTU's status will change to Principal Partner University going forward. This partnership comprises 16 leading universities across the world. The research cooperation with Siemens Gamesa Renewable Energy continues unchanged.

Since the end of the 1990s, Siemens has supported children and young persons locally through an adoption programme with the Grantofte School in Ballerup, where Siemens has followed a number of classes from the seventh grade to the end of the ninth grade. The pupils have visited Siemens and had visiting teachers teaching subjects such as new technologies. The purpose of the programme is to give the pupils technical and social experiences that they can use later on in their adult lives and to stimulate their interest in science and technology. However, Siemens has decided to end the programme at the end of the financial year 2016/2017.

The Siemens Foundation receives an annual amount from Siemens A/S. The Foundation makes donations to research and educational projects – primarily in the natural science area. In the year under review, the Foundation donated DKK 371 thousand for a total of 15 projects, of which the lion's share was awarded to Danish university students' final projects.

Finally, Siemens is co-sponsor in relation to the Danish Association of Engineers "Engineer the Future" campaign, whose purpose is to attract more young people to the engineering profession. As part of the initiative, school classes can book an expert to come and talk about his or her work, and three of Siemens' employees have attended mediation courses to contribute to this. On 28 November 2016, Siemens hosted an event together with ATV and Engineer the Future regarding the cooperation between schools and businesses.

## Charity

Siemens has for many years chosen not to give customers and business partners Christmas presents. Instead, the Company donates an annual amount or a product to charity.

Since 2013, donations have been given to SOS Children's Villages on Zanzibar to whom Siemens has donated an ultrasound scanner and contributed to implementing a number of measures for energy retrofitting in cooperation with Solar A/S and Engineers Without Borders. In 2016/2017, Siemens supported several projects regarding climate upgrading of the Children's Village on Zanzibar at a total amount of DKK 250 thousand, which was used for repairing roofs of buildings, plumbing systems and effluent discharge points, etc., as well as establishing rainwater diversion. In addition to Siemens A/S' support, a number of employees chose to donate their Christmas presents to SOS Children's Villages for a total sum of approx. DKK 280 thousand.

These activities are in fine keeping with the 17 Global Goals adopted by the UN in September 2015 to ensure a sustainable development in both the rich and the poor part of the world.

Siemens is the main sponsor of the Copenhagen Royal Library's internationally recognised classical music ensemble "DiamantEnsemblet". The support from Siemens enables the ensemble to attract internationally recognised foreign musicians for guest performances at The Black Diamond.

In 2016/2017, Siemens terminated the cooperation with the Copenhagen Royal Library's student programme (Students Only!) and the sponsorship with ARKEN Museum of Modern Art in Ishøj.


### Picture gives money to Unicef City 2017

In connection with Ballerup Municipality's UNICEF City initiative, the kindergarten Ellekilde has made 100 drawings that collectively make up a large picture with the message "FÆLLESSKAB" (COMMUNITY). Siemens and a number of businesses have had the picture up on the wall for a week, and each business has therefore donated DKK 5,000 to UNICEF's work.

# Financial review – Siemens Group

In the year under review, consolidated revenue went up by DKK 470 million from DKK 3,656 million last year to DKK 4,126 million this year. The increase stems from all business segments.

The order intake was lower than in the previous year, which was, however, expected as the order intake in the financial year 2015/2016 was extraordinarily high. Due to the large order backlog, revenue increased by 13%.

Relative to 2015/2016, the Group's selling and administrative expenses increased in line with revenue.

In the year, the Siemens A/S Group realised profit of DKK 175 million, which is up DKK 22 million on the year before and in line with the expectations expressed in the annual report for 2015/2016. Due to the close-down of production in Sønderborg, lessee has terminated the lease. Profit for the year is affected by non-recurring income from lessee's termination of the lease.

Profit for the year amounts to DKK 175 million, and DKK 137 million hereof is expected to be distributed as dividend to the parent company, Siemens International Holding B.V., Den Haag, the Netherlands

## Balance sheet

The balance sheet total decreased by DKK 36 million on last year. The decrease is primarily attributable to an increase in trade receivables and financial receivables from group entities as well as a decrease in fixed assets and construction contracts, net.

## Cash flows

Cash flows from operating activities increased from DKK 150 million to DKK 268 million (195 million from continuing operations), mainly due to an increase in cash flows from operations (operating activities).

## Investments

During the year, investments totalling DKK 7 million were made in property, plant and equipment. This is below the investment level last year. The investments made in the year comprise operating equipment, fixtures and fittings.

## Outlook

As of 2 October 2017, Siemens A/S sold its activities in Siemens Aeration Competence Center (ACC) in Elsinore to Howden.

As of the end of November 2017, Siemens A/S sold its equity interest in Siemens Healthcare A/S. The sale forms part of the planned independent listing of the Healthcare activities.

Siemens A/S announced the close-down of Siemens' production facilities for flowmeters in Sønderborg. The close-down will take place at the end of 2018.

Danish economy is expected to grow in 2017/2018 which will have a positive impact on the market. Based on a decreased volume of orders at the end of the 2016/2017 financial year, the Siemens A/S Group, however, expects to note a decrease in revenue of up to 4% in the coming financial year.

Going forward, the Group's profit from ordinary activities is expected to be in line with 2016/2017.

## Ownership

Siemens A/S is a wholly-owned subsidiary of Siemens International Holding B.V., Den Haag, the Netherlands.

## Special risks

### Financial risks

Due to its operations and financing, the Group is exposed to changes in exchange rates and interest rates to a relatively low degree. It is the Group's policy not to engage in active speculation in financial risks. Thus, the Group's financial management activities are aimed only at managing risks already assumed.

### Currency risks

The Group's activities are affected by exchange rate fluctuations, as revenue is generated, in all material respects, in Danish kroner, whereas purchases of products are primarily effected in foreign currencies. The Group's exchange rate risks are primarily hedged through derivative financial instruments. It is the Group's currency policy to hedge projects with a net exposure of more than EUR 1 million. The product business is hedged for 3-month periods at a time based on expected sales/purchases.

Furthermore, the Group hedges minimum 75% of its net currency positions, and net positions EUR 1 million are not hedged.

### Interest rate risks

The Group's interest-bearing debt primarily consists in financial debt to group entities. It is not the Siemens Group's policy to hedge interest rate risks relating to intra-group balances. An increase of 1 percentage point in the general interest rate level will imply an increase in the Group's annual interest expenses of DKK 1 million.

### Credit risks

The Group is not exposed to any significant risks relating to any particular customer or business partner. The Group's credit policy implies that all major customers and other business partners are credit-rated on a current basis.

## Incentive plans

The Siemens AG Group has established a stock award plan according to which key executives may be granted stock awards in Siemens AG.

Settlement takes place on exercise. In this connection, an amount of DKK 3 million was expensed in the income statement for the parent company and in the Siemens A/S Group for 2016/2017.

Furthermore, the Siemens AG Group has established a programme for all employees, allowing them to acquire shares with an option to acquire extra shares after 3 years' ownership.

In this connection, an amount of DKK 2 million was expensed in the income statement for Siemens A/S for 2016/2017.

# Income statement

**Consolidated financial statements and parent company financial statements 1 October – 30 September**

| | | Group | | Parent | |
|---|---|---|---|---|---|
| DKK'000 | Note | 2016/2017 | 2015/2016 | 2016/2017 | 2015/2016 |
| **Revenue** | 3 | 3,541,194 | 3,656,007 | 3,402,035 | 3,098,902 |
| Production costs | | -3,082,083 | -3,074,764 | -2,978,294 | -2,630,256 |
| **Gross margin** | | **459,111** | **581,243** | **423,741** | **468,646** |
| Distribution costs | | -338,868 | -372,159 | -309,290 | -291,446 |
| Administrative expenses | | -40,254 | -20,447 | -39,339 | -14,068 |
| Profit before other operating income | | **79,989** | **188,637** | **75,112** | **163,132** |
| Other operating expenses | 4 | -190 | -990 | -190 | -990 |
| Other operating income | 5 | 128,560 | 21,349 | 133,824 | 27,136 |
| **Profit before net financials** | | **208,359** | **208,996** | **208,746** | **189,278** |
| Profit after tax in subsidiaries | | 0 | 0 | -350 | 9,857 |
| Financial income | 6 | 147 | 383 | 84 | 315 |
| Financial expenses | 7 | -7,768 | -8,999 | -7,672 | -8,291 |
| **Profit from ordinary activities** | | **200,738** | **200,380** | **200,808** | **191,159** |
| Tax on profit from ordinary activities | 8 | -47,320 | -47,511 | -47,390 | -38,290 |
| **Profit for the year from continuing operations** | | **153,418** | **152,869** | **153,418** | **152,869** |
| Profit after tax from discontinued operations | 9 | 21,680 | 0 | 21,680 | 0 |
| **Profit for the year** | | **175,098** | **152,869** | **175,098** | **152,869** |

# Balance sheet

**Consolidated financial statements and parent company financial statements 1 October – 30 September**

| Assets | | Group | | Parent | |
|---|---|---|---|---|---|
| DKK'000 | Note | **2016/2017** | 2015/2016 | **2016/2017** | 2015/2016 |
| **Fixed assets** | | | | | |
| **Intangible assets** | 10 | | | | |
| Goodwill | | 0 | 62,165 | 0 | 0 |
| Acquired rights | | 0 | 34,023 | 0 | 0 |
| **Total intangible assets** | | **0** | **96,188** | **0** | **0** |
| | | | | | |
| **Property, plant and equipment** | 11 | | | | |
| Land and buildings | | 89,066 | 160,627 | 89,066 | 160,627 |
| Leasehold improvements | | 22,356 | 36,906 | 22,356 | 36,906 |
| Plant and machinery | | 20,085 | 60,583 | 19,932 | 55,299 |
| Construction in progress | | 344 | 2,498 | 344 | 2,498 |
| **Total property, plant and equipment** | | **131,851** | **260,614** | **131,698** | **255,330** |
| | | | | | |
| **Investments** | | | | | |
| Investments in subsidiaries | 12 | 0 | 0 | -1,494 | 106,869 |
| Other securities | 13 | 100 | 100 | 100 | 100 |
| **Total investments** | | **100** | **100** | **-1,394** | **106,969** |
| | | | | | |
| **Total fixed assets** | | **131,951** | **356,902** | **130,304** | **362,299** |
| | | | | | |
| **Non-fixed assets** | | | | | |
| Inventories | | **36,409** | **79,861** | **36,409** | **41,030** |
| | | | | | |
| **Receivables** | 14 | | | | |
| Trade receivables | | 657,513 | 686,650 | 622,826 | 570,452 |
| Receivables from group entities | | 46,744 | 25,019 | 39,867 | 0 |
| Construction contracts, net | 15 | 386,809 | 482,828 | 384,979 | 482,176 |
| Deferred tax asset | 16 | 11,991 | 0 | 11,840 | 0 |
| Income tax receivable, joint taxation | | 0 | 83,528 | 0 | 83,528 |
| Financial receivable from group entities | | 117,175 | 4,031 | 117,175 | 9,805 |
| Other receivables | | 37,276 | 40,195 | 37,275 | 39,298 |
| Prepayments | 17 | 5,378 | 10,307 | 5,376 | 7,058 |
| **Total receivables** | | **1,262,886** | **1,332,558** | **1,219,338** | **1,192,317** |
| | | | | | |
| **Cash** | | **2,333** | **0** | **2,333** | **0** |
| | | | | | |
| **Assets relating to discontinued operations** | 9 | **299,404** | **0** | **103,953** | **0** |
| | | | | | |
| **Total non-fixed assets** | | **1,601,032** | **1,412,419** | **1,362,033** | **1,233,347** |
| | | | | | |
| **Total assets** | | **1,732,983** | **1,769,321** | **1,492,337** | **1,595,646** |

## Consolidated financial statements and parent company financial statements 1 October – 30 September

### Equity and liabilities

| | | Group | | Parent | |
|---|---|---|---|---|---|
| DKK'000 | Note | 2016/2017 | 2015/2016 | 2016/2017 | 2015/2016 |
| **Equity** | | | | | |
| Share capital | | 151,000 | 151,000 | 151,000 | 151,000 |
| Retained earnings | | 387,411 | 364,313 | 250,411 | 212,313 |
| Dividend proposed for the year | | 0 | 0 | 137,000 | 152,000 |
| **Total equity** | | **538,411** | **515,313** | **538,411** | **515,313** |
| | | | | | |
| **Provisions** | | | | | |
| Warranty commitments | 18 | 45,269 | 65,723 | 45,269 | 48,167 |
| Deferred tax | 19 | 0 | 18,767 | 0 | 19,134 |
| Other provisions | 20 | 15,433 | 32,920 | 15,433 | 20,105 |
| **Total provisions** | | **60,702** | **117,410** | **60,702** | **87,406** |
| | | | | | |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Lease liabilities | 21 | 59,211 | 63,817 | 59,211 | 63,817 |
| | | | | | |
| **Current liabilities** | | | | | |
| Bank debt | | 0 | 1 | 0 | 1 |
| Short-term portion of lease obligation | 21 | 4,607 | 4,248 | 4,607 | 4,248 |
| Financial debt to group entities | | 12,945 | 36,647 | 0 | 34,306 |
| Prepayments received from customers | | 138,486 | 313,651 | 138,486 | 303,791 |
| Trade payables | | 142,866 | 112,829 | 134,326 | 104,310 |
| Payables to group enterprises | | 0 | 132,439 | 0 | 128,248 |
| Income taxes payable | | 206,694 | 0 | 206,693 | 0 |
| Other payables | | 365,071 | 373,582 | 345,950 | 316,495 |
| Deferred income | 22 | 8,539 | 99,384 | 3,951 | 37,711 |
| Liabilities relating to discontinued operations | 9 | 195,451 | 0 | 0 | 0 |
| **Total short-term liabilities** | | **1,074,659** | **1,072,781** | **834,013** | **929,110** |
| | | | | | |
| **Total liabilities** | | **1,194,572** | **1,254,008** | **953,926** | **1,080,333** |
| | | | | | |
| **Total equity and liabilities** | | **1,732,983** | **1,769,321** | **1,492,337** | **1,595,646** |
| | | | | | |
| **Events after the balance sheet date** | 2 | | | | |
| **Contingent liabilities** | 23 | | | | |
| **Disposals upon demerger** | 26 | | | | |
| **Staff costs** | 27 | | | | |
| **Fees paid to auditors appointed at the annual general meeting** | 28 | | | | |
| **Appropriation of profit/loss** | 29 | | | | |
| **Use of derivative financial instruments** | 30 | | | | |
| **Related parties and related party transactions** | 31 | | | | |
| **Permanent establishments** | 32 | | | | |
| **Pending legal actions** | 33 | | | | |

# Statement of changes in equity

**Consolidated financial statements and parent company financial statements 1 October – 30 September**

| DKK'000 | Group<br>Share capital | Retained earnings | Proposed dividends | Total |
|---|---|---|---|---|
| Equity at 30 September 2015 | 151,000 | 346,444 | 0 | 497,444 |
| Dividends paid | 0 | -135,000 | 0 | -135,000 |
| Profit for the year | 0 | 152,869 | 0 | 152,869 |
| **Equity at 30 September 2016** | **151,000** | **364,313** | **0** | **515,313** |
| | | | | |
| Dividend distribution | 0 | -152,000 | 0 | -152,000 |
| Profit for the year | 0 | 175,098 | 0 | 175,098 |
| **Equity at 30 September 2017** | **151,000** | **387,411** | **0** | **538,411** |

| | Parent<br>Share capital | Retained earnings | Proposed dividends | Total |
|---|---|---|---|---|
| Equity at 30 September 2015 | 151,000 | 211,444 | 135,000 | 497,444 |
| Dividends paid | 0 | 0 | -135,000 | -135,000 |
| Profit for the year | 0 | 869 | 152,000 | 152,869 |
| **Equity at 30 September 2016** | **151,000** | **212,313** | **152,000** | **515,313** |
| | | | | |
| Dividend distribution | 0 | 0 | -152,000 | -152,000 |
| Profit for the year | 0 | 38,098 | 137,000 | 175,098 |
| **Equity at 30 September 2017** | **151,000** | **250,411** | **137,000** | **538,411** |

The share capital consists of 1,510,000 shares of DKK 100 each. The share capital has not changed in the past five years.

# Cash flow statement

**Consolidated financial statements and parent company financial statements 1 October – 30 September**

| | | Group | |
|---|---|---|---|
| DKK'000 | Note | 2016/2017 | 2015/2016 |
| Revenue | | 3,541,194 | 3,656,007 |
| Costs and other operating income | | -3,332,835 | -3,447,520 |
| Adjustments | 24 | 118,795 | 61,550 |
| **Cash generated from operating activities before changes in working capital** | | **327,154** | **270,037** |
| | | | |
| Changes in working capital | 25 | -98,734 | -50,880 |
| Financial income and expenses, net | | -7,621 | -8,107 |
| Income taxes paid and prior-year adjustments | | -25,839 | -61,002 |
| **Cash flows from operating activities** | | **194,960** | **150,048** |
| | | | |
| Acquisition of property, plant and equipment | | -5,195 | -9,717 |
| Disposal of property, plant and equipment | | 2,413 | 2,241 |
| Disposal of activity | | 0 | 1,182 |
| **Cash flow from investing activities** | | **-2,782** | **-6,294** |
| | | | |
| Change in non-current liabilities | | -4,247 | -3,443 |
| Change in bank debt | | -1 | 1 |
| Distributed dividends | | -125,000 | -135,000 |
| **Cash flows from financing activities** | | **-129,248** | **-138,442** |
| | | | |
| **Net cash flows for the year** | | **62,930** | **5,312** |
| **Adjustment relating to discontinued operations** | | -15,169 | 0 |
| Cash and cash equivalents at 1 October | | -11,629 | -16,941 |
| **Cash and cash equivalents at 30 September** | | **36,132** | **-11,629** |
| | | | |
| Analysis of cash and cash equivalents: | | | |
| Receivables from group entities (Siemens Financial Services) | | 46,744 | 25,019 |
| Financial debt to group entities | | -12,945 | -36,647 |
| Other cash funds | | 2,333 | -1 |
| | | **36,132** | **-11,629** |

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

# Notes to the financial statements

## Consolidated financial statements and parent company financial statements 1 October – 30 September

### 1 - Accounting policies

The annual report of Siemens A/S for 2016/2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

1. Yearly reassessment of residual values of property, plant and equipment.

Re 1: In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity.

None of the above changes impacts on the income statement or the 'balance sheet for '2016/2017 or the comparative figures.

The pooling-of-interests method is applied to mergers of or demergers into group entities.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

The financial statements are presented in Danish kroner.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the Company, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is made up as the historic cost less instalments, if any, and plus or minus the accumulated amortisation of the difference between the cost and the nominal amount.

In connection with recognition and measurement, allowance is made for gains, losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date. Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost.

Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

### Foreign currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the date of the transaction. Receivables and payables denominated in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement under cost of sales and financial income and expenses relating to foreign-currency loans, respectively. Exchange gains and losses related to hedging transactions where the hedged item is not included in the balance sheet, are, however, measured in the balance sheet as cut-off items once the hedged item is realised.

### Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are recognised at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" or "Other payables", respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets and liabilities are recognised in the income statement together with changes in the value of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in 'Other receivables' or 'Other payables' and in equity. If the future transaction results in recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the future transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

As for derivative financial instruments that do not qualify for hedge accounting, fair value adjustments are recognised in the income statement on a current basis.

## Consolidated financial statements and parent company financial statements 1 October – 30 September

### Consolidated financial statements

The consolidated financial statements comprise the parent, Siemens A/S, and subsidiaries in which Siemens A/S – directly or indirectly – holds more than 50% of the voting rights or otherwise has a controlling interest.

The consolidated financial statements are prepared as a consolidation of the parent's and the individual subsidiaries' audited financial statements all of which are presented in accordance with the Siemens Group's accounting policies.

On consolidation, intra-group income and expenses, holdings of shares, intra-group balances and dividends as well as realised and unrealised gains and losses on intra-group transactions are eliminated. Investments in subsidiaries are set off against the proportionate share of the subsidiaries' net asset value at the time of acquisition (the past equity method).

Entities acquired or established during the year are recognised in the consolidated financial statements from the date of acquisition, and divested entities are recognised until the time of sale. Comparative figures are not restated in respect of recently acquired or sold entities.

Comparative figures are restated to reflect demergers and mergers. On the acquisition of entities, the acquired assets and liabilities are made up at market value at the time of acquisition, and a provision is made for expenses related to adopted and published restructurings in the acquired entity in connection with the acquisition. Allowance is made for the tax effect of revaluations made.

Any excess of the acquisition cost over the fair value of the assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 15 years.

## Income statement

### Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and invoicing have taken place before year end and that the income can be reliably measured and is expected to be received.

Major construction contracts are recognised in revenue using the percentage-of-completion method. Consequently, income from and gains on contract work are recognised as production is carried through, implying that revenue corresponds to the market value of contracts completed in the year.

Other construction contracts are recognised in revenue once delivery and invoicing have taken place.

Income from service contracts is accrued and recognised in the income statement in the period to which it relates. Pre-invoiced services are measured as prepayments.

### Production costs

Production costs comprise expenses, including amortisation/depreciation and wages/salaries, incurred to generate the year's revenue.

### Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc. during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising, exhibitions and depreciation are recognised as distribution costs.

### Administrative expenses

Administrative expenses comprise expenses paid in the year to manage and administer the Company, including expenses related to administrative staff, office expenses and amortisation/depreciation charges.

### Other operating income

Other operating income comprises items of a secondary nature relative to the Company's primary objective, including net income from property leasing and gains/losses on the sale of fixed assets and activities.

### Profit after tax in subsidiaries

The parent company's share of the pre-tax profit or loss of the individual subsidiaries is recognised in the income statement after full elimination of intra-group gains/losses.

### Financial income and expenses

Financial income and expenses comprise interest income and expenses, capital gains and losses, foreign-currency payables and transactions, amortisation of financial assets and liabilities as well as surcharges and allowances under the advance-payment-of-tax scheme, etc.

# Notes to the financial statements

## Consolidated financial statements and parent company financial statements 1 October – 30 September

**Tax for the year**

The Company is subject to the Danish rules on joint taxation of the Siemens Group's Danish activities.

The Company is the management company in respect of the joint taxation arrangement and accordingly pays all income taxes to the tax authorities.

The current Danish income tax charge is allocated by settling the joint taxation contributions between the jointly taxed entities in proportion to their taxable income. Loss-making entities receive joint taxation contributions from entities which have been able to apply the loss to reduce their own taxable income.

Tax for the year, comprising the year's current tax charge, the year's joint taxation contributions and changes in deferred tax charge – including changes arising from changes in the tax rate – is recognised in the income statement as regards the portion that relates to the profit/loss for the year and taken directly to equity as regards the portion that relates to entries directly in equity.

### Balance sheet

**Intangible assets**

**Goodwill**

Goodwill is measured at the lower of cost, less accumulated amortisation, and the recoverable amount.

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. The amortisation period is maximally 15 years and is longest for strategically acquired entities with a strong market position and a long earnings profile.

The carrying amount of goodwill is tested for impairment and any impairment losses are taken to the income statement in cases where the carrying amount exceeds the expected future net income from the business or the activity to which the goodwill relates.

The accounting treatment of disposal of activities or entities to which goodwill is related is described under 'Consolidation'.

**Development projects and software**

Development projects and software are measured at the lower of cost, less accumulated amortisation, and the recoverable amount.

Development projects and software are amortised over the estimated economic life, however maximum 3 years. The carrying amount of development projects and software is tested for impairment on a regular basis, and any impairment losses are taken to the income statement in cases where the carrying amount exceeds the expected future net income from the entity or the activity to which the development projects and software relate.

Gains and losses on the disposal of development projects and software are made up as the difference between the selling price less selling expenses and the carrying amount at the time of sale. Gains or losses are recognised in the income statement.

**Property, plant and equipment**

Land and buildings, leasehold improvements, plant and machinery and plant under construction are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Borrowing costs are not recognised in the cost.

Depreciation is provided on a straight-line basis over the expected useful life of the assets. The depreciation periods are:

| | |
|---|---|
| Buildings | 25-50 years |
| Leasehold improvements | Term of the lease |
| Plant and machinery | 3-10 years |

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

Depreciation is recognised in the income statement as "Production costs", "Distribution costs" and "Administrative expenses", respectively.

In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less distribution costs and the carrying amount at the time of sale.

Gains or losses are recognised in the income statement under 'Other operating income' or 'Other operating expenses', respectively.

## Consolidated financial statements and parent company financial statements 1 October – 30 September

### Leases

Leases concerning property, plant and equipment in respect of which the Company bears all significant risks and enjoys all significant benefits associated with the title to such assets (finance leases) are recognised in the balance sheet at the fair value of the leased asset if such a value exists. If the present value of future lease payments is lower at the acquisition date, the asset is recognised at this value. For calculation of the present value, the internal rate of return as a discount factor or an approximate value hereof is used.

Assets held under finance leases are depreciated and impaired as the Company's other items of property, plant and equipment.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement on a current basis over the term of the lease.

Leases in respect of which the lessor bears all significant risks and enjoys all significant benefits associated with the title to such equipment are classified as operating leases. Payments under operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under 'Contingencies, etc.'.

### Investments in subsidiaries

Investments in subsidiaries are measured, based on the parent's accounting policies, at the Company's proportionate share of the subsidiaries' net asset value minus or plus unrealised intra-group gains and losses.

Subsidiaries with a negative net asset value are measured at DKK 0, and any receivable is written down by the parent's share of the negative net asset value insofar as it is considered irrecoverable. If the negative equity value exceeds the receivable, the balance is recognised under 'Provisions' insofar as the parent has a legal or constructive obligation to cover a deficit in the subsidiary.

Net revaluations of investments in subsidiaries are taken to the net revaluation reserve according to the equity method to the extent the carrying amount exceeds the cost.

Additions of subsidiaries are accounted for using the purchase method of accounting, see the description above under 'Consolidated financial statements'.

### Impairment of assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is tested annually for impairment.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the net present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

### Other securities

Securities are measured at the lower of cost and market value.

### Inventories

Inventories are measured at cost or weighted average. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production overheads. Production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

### Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses.

# Notes to the financial statements

## Consolidated financial statements and parent company financial statements 1 October – 30 September

**Construction contracts**

Major construction contracts are measured at the market value by reference to the stage of completion. The market value is measured according to the stage of completion at the balance sheet date and the expected, aggregate income from the individual construction contracts.

Other construction contracts are measured at cost, including materials, wages/salaries and production overheads.

Each construction contract is recognised in the balance sheet under 'Receivables' or 'Payables', depending on whether the net value of the order less amounts invoiced on account and prepayments is positive or negative.

When it is probable that the total contract costs will exceed the total contract revenue, a provision is made for the anticipated loss on the contract. The provision is expensed under production costs.

**Prepayments**

Prepayments comprise costs incurred concerning subsequent financial years.

**Equity**

Dividend proposed for the year is recognised as a liability at the date it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item under "Equity".

**Provisions**

Provisions comprise expected expenses relating to warranty commitments, losses on construction contracts, reconstruction, etc. Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Warranty commitments include expenses for remedial action in respect of the contract work within the warranty period of 0-5 years. Provisions for warranty commitments are measured and recognised based on experience gained from guarantee work.

**Income tax and deferred tax**

The Company and all its Danish group entities are jointly taxed.

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years as well as for tax paid on account.

Joint taxation contributions payable and receivable are recognised in the balance sheet under "Balances with group entities".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, no deferred tax is recognised as regards temporary differences regarding non-amortisable goodwill and office premises or other items in respect of which temporary differences – with the exception of corporate takeovers – have occurred at the time of acquisition without any resulting effect on the profit/loss for the year or the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities. Deferred tax assets are set off within the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

**Liabilities**

Financial liabilities are recognised on the raising of the loan at the proceeds received less transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include capitalised residual lease liabilities under finance leases. Other liabilities are measured at amortised cost.

**Deferred income**

Deferred income recognised as a liability comprises payments received concerning income in subsequent reporting years.

**Presentation of discontinued operations**

Discontinued operations comprise a separate, major line of business whose activities and cash flows are clearly distinguishable, operationally and for financial reporting purposes, from the Company's other lines of business and where the line of business has either been disposed of or separated as held for sale and the sale is expected to be effected within twelve months in accordance with a formal plan.

The profit/loss from discontinued operations and value adjustments after tax of related assets and liabilities and gains and losses on disposal are presented as a separate line item in the income statement, and comparative figures are restated accordingly. Revenue, expenses, value adjustments and tax relating to discontinued operations are disclosed in the notes. Assets and relating liabilities in respect of discontinued operations are presented as separate line items in the balance sheet without restatement of comparative figures, and the principal items are specified in the notes.

## Consolidated financial statements and parent company financial statements 1 October – 30 September

### Cash flow statement

The cash flow statement shows the Group's net cash flow for the year, broken down by operating, investing and financing activities, and the Group's cash and cash equivalents at the beginning and the end of the year. The cash flow effect of acquisitions and disposals of entities is shown separately in "Cash flows from investing activities". The cash flow statement includes cash flows from acquired entities from the time of acquisition, and cash flows from sold entities are included until the date of sale.

### Cash flows from operating activities

Cash flows from operating activities are presented using the indirect method and are made up as the net profit or loss for the year, less operating expenses and adjusted for non-cash operating items, changes in working capital, paid net financials and extraordinary items and paid income taxes.

### Cash flows from investing activities

Cash flows from investing activities comprise payments related to the acquisition and sale of entities and activities, property, plant and equipment and securities related to investing activities.

### Cash flows from financing activities

Cash flows from financing activities comprise payments derived from changes in the size or composition of the company's share capital, dividend distributed as well as the raising and repayment of mortgage debt, other long-term liabilities and short-term bank debt.

### Cash

Cash comprises cash, intra-group receivables and payables as well as short-term securities with a term of three months or less and which are readily convertible into cash and which are subject to only minor risks of changes in value.

### 2 - Events after the balance sheet date

As of 2 October 2017, Siemens A/S sold its activities in Siemens Aeration Competence Center (ACC) in Elsinore to Howden.

As of the end of November 2017, Siemens A/S sold its equity interest in Siemens Healthcare A/S. The sale is part of the planned independent listing of the Healthcare activities.

# Notes to the financial statements

**Consolidated financial statements and parent company financial statements 1 October – 30 September**

| | Group | | Parent | |
|---|---|---|---|---|
| DKK'000 | **2016/2017** | 2015/2016 | **2016/2017** | 2015/2016 |
| **3 - Revenue** | | | | |
| *Geographic split* | | | | |
| Sale of goods, national | 3,541,314 | 3,082,679 | 2,836,040 | 2,561,897 |
| Sale of goods, international | 585,104 | 573,328 | 565,995 | 537,005 |
| Revenue before discontinued operations | **4,126,418** | **3,656,007** | **3,402,035** | **3,098,902** |
| Transferred to Profit after tax from discontinued operations | -585,224 | 0 | 0 | 0 |
| | **3,541,194** | **3,656,007** | **3,402,035** | **3,098,902** |
| *Segment information* | | | | |
| Industry | 1,275,866 | 1,141,361 | 1,136,707 | 1,034,064 |
| Energy | 1,322,849 | 1,176,886 | 1,322,849 | 1,176,886 |
| Mobility | 357,909 | 366,163 | 357,909 | 366,163 |
| Building Technologies | 584,570 | 521,789 | 584,570 | 521,789 |
| Healthcare | 0 | 449,808 | 0 | 0 |
| | **3,541,194** | **3,656,007** | **3,402,035** | **3,098,902** |
| **4 - Other operating expenses** | | | | |
| Loss on disposal of activity | 0 | 669 | 0 | 669 |
| Loss on disposal of fixed assets | 190 | 321 | 190 | 321 |
| | **190** | **990** | **190** | **990** |
| **5 - Other operating income** | | | | |
| Gain on disposal of fixed assets | 3,821 | 1,191 | 332 | 1,102 |
| Non-recurring rental income following lessee's termination of lease | 107,826 | 0 | 107,826 | 0 |
| Rental income | 20,402 | 20,158 | 25,666 | 26,034 |
| Transferred to Profit after tax from discontinued operations | -3,489 | 0 | 0 | 0 |
| | **128,560** | **21,349** | **133,824** | **27,136** |
| **6 - Financial income** | | | | |
| Interest payable, other group entities | 148 | 84 | 84 | 84 |
| Other interest income | 4 | 299 | 0 | 231 |
| Transferred to Profit after tax from discontinued operations | -5 | 0 | 0 | 0 |
| | **147** | **383** | **84** | **315** |
| **7 - Financial expenses** | | | | |
| Interest payable, other group entities | 803 | 4,972 | 137 | 4,388 |
| Interest payable, bank debt and securities | 75 | 26 | 0 | 0 |
| Warranty commitments | 4,208 | 3,740 | 3,955 | 3,487 |
| Other interest expenses and warranty commitments | 3,477 | 261 | 3,580 | 416 |
| Transferred to Profit after tax from discontinued operations | -795 | 0 | 0 | 0 |
| | **7,768** | **8,999** | **7,672** | **8,291** |
| **8 - Tax on profit from ordinary activities** | | | | |
| **Tax for the year** | **47,320** | **47,511** | **47,390** | **38,290** |
| *Analysed as follows:* | | | | |
| Tax on the taxable income for the year | 86,069 | 38,273 | 77,983 | 31,423 |
| Prior-year adjustments | 54 | -2,690 | 32 | -2,366 |
| Adjustment of deferred tax | -27,610 | 11,928 | -30,625 | 9,233 |
| Transferred to Profit after tax from discontinued operations | -11,193 | 0 | 0 | 0 |
| | **47,320** | **47,511** | **47,390** | **38,290** |

## Consolidated financial statements and parent company financial statements 1 October – 30 September

**9 - Discontinued operations**

As of end-November 2017, Siemens A/S has sold its investments in Siemens Healthcare A/S. The sale is part of a planned separate listing of the Healthcare activities.

Profit for the year after tax from Siemens Healthcare A/S is presented as a separate line item in the income statement called "Profit after tax from discontinued operations" and amounted to DKK 21,680 thousand for 2016/2017.

The comparative figures for 2015/2016 have not been restated to reflect discontinued operations.

The profit from discontinued operations is specified in main items below.

| | Group | | Parent | |
|---|---|---|---|---|
| DKK'000 | 2016/2017 | 2015/2016 | 2016/2017 | 2015/2016 |
| **Revenue** | 586,825 | 0 | 0 | 0 |
| *Production costs* | -493,733 | 0 | 0 | 0 |
| Gross margin | 93,092 | 0 | 0 | 0 |
| Distribution costs | -57,444 | 0 | 0 | 0 |
| Administrative expenses | **-5,474** | **0** | **0** | **0** |
| Profit before other operating income | 30,174 | 0 | 0 | 0 |
| Other operating costs | 0 | 0 | 0 | 0 |
| Other operating income | 3,489 | 0 | 0 | 0 |
| Profit before net financials | 33,663 | 0 | 0 | 0 |
| Profit after tax in subsidiaries | 0 | 0 | 21,680 | 0 |
| Financial income | **5** | **0** | **0** | **0** |
| Financial expenses | -795 | 0 | 0 | 0 |
| Profit from ordinary activities | 32,873 | 0 | 0 | 0 |
| Tax on profit from ordinary activities | -11,193 | 0 | 0 | 0 |
| Profit for the year | **21,680** | **0** | **21,680** | **0** |

**Assets and liabilities relating to discontinued operations**

The sale had not been finalised at the balance sheet date, and consequently, the net assets to be transferred are still recognised in the balance sheet as discontinued operations.

The sales price is expected to exceed the carrying amount of the net assets, amounting to DKK 103,953 thousand.

| | Group | | Parent | |
|---|---|---|---|---|
| DKK'000 | 2016/2017 | 2015/2016 | 2016/2017 | 2015/2016 |
| **Assets relating to discontinued operations** | | | | |
| Goodwill | 34,290 | 0 | 0 | 0 |
| Acquired rights | 28,193 | 0 | 0 | 0 |
| Plant and machinery | 4,408 | 0 | 0 | 0 |
| Investments in subsidiaries | 0 | 0 | 103,953 | 0 |
| Inventories | 33,992 | 0 | 0 | 0 |
| Trade receivables | 128,795 | 0 | 0 | 0 |
| Receivables from group entities | 63,233 | 0 | 0 | 0 |
| Other receivables | 3,068 | 0 | 0 | 0 |
| Prepayments | 3,425 | 0 | 0 | 0 |
| **Total assets relating to discontinued operations** | **299,404** | **0** | **103,953** | 0 |
| | | | | |
| **Liabilities relating to discontinued operations** | | | | |
| Warranty commitments | 14,490 | 0 | 0 | 0 |
| Deferred tax | 3,161 | 0 | 0 | 0 |
| Other provisions | 7,565 | 0 | 0 | 0 |
| Financial debt to group entities | 12,888 | 0 | 0 | 0 |
| Prepayments received from customers | 24,625 | 0 | 0 | 0 |
| Trade payables | 14,046 | 0 | 0 | 0 |
| Payables to group enterprises | 232 | 0 | 0 | 0 |
| Other payables | 57,546 | 0 | 0 | 0 |
| Deferred income | 60,898 | 0 | 0 | 0 |
| **Total liabilities relating to discontinued operations** | **195,451** | **0** | **0** | **0** |
| | | | | |
| **Total net assets relating to discontinued operations** | **103,953** | **0** | **103,953** | **0** |

# Notes to the financial statements

## Consolidated financial statements and parent company financial statements 1 October – 30 September

| | Group | | | |
|---|---|---|---|---|
| DKK'000 | Goodwill | Acquired rights | Software | Total |
| **10 - Intangible assets** | | | | |
| Cost at 1 October 2016 | 382,659 | 70,539 | 958 | 454,156 |
| Transferred to assets relating to discontinued operations | -143,847 | -70,539 | 0 | -214,386 |
| Cost at 30 September 2017 | **238,812** | **0** | **958** | **239,770** |
| | | | | |
| Amortisation at 1 October 2016 | -320,494 | -36,516 | -958 | -357,968 |
| Amortisation for the year | **-19,597** | **-14,108** | **0** | **-33,705** |
| Transferred to assets relating to discontinued operations | **101,279** | **50,624** | **0** | **151,903** |
| **Amortisation at 30 September 2017** | **-238,812** | **0** | **- 958** | **-239,770** |
| | | | | |
| **Carrying amount at 30 September 2017** | **0** | **0** | **0** | **0** |
| | | | | |
| **Carrying amount at 30 September 2016** | **62,165** | **34,023** | **0** | **96,188** |
| | | | | |
| **Amortised over** | Max 15 years | Max 7 years | 3 years | |

| | Parent | | | |
|---|---|---|---|---|
| | Goodwill | | Software | Total |
| Cost at 1 October 2016 | 204,079 | | 958 | 205,037 |
| Disposals for the year | 0 | | -909 | -909 |
| Cost at 30 September 2017 | **204,079** | | **49** | **204,128** |
| | | | | |
| Amortisation at 1 October 2016 | -204,079 | | -958 | -205,037 |
| Disposals during the year | 0 | | 909 | 909 |
| **Amortisation at 30 September 2017** | **-204,079** | | **-49** | **-204,128** |
| | | | | |
| **Carrying amount at 30 September 2017** | **0** | | **0** | **0** |
| | | | | |
| **Carrying amount at 30 September 2016** | **0** | | **0** | **0** |
| | | | | |
| **Amortised over** | Max 7 years | | 3 years | |

## Consolidated financial statements and parent company financial statements 1 October – 30 September

| | Group | | | | |
|---|---|---|---|---|---|
| DKK'000 | Land and buildings | Leasehold improvements | Plant and machinery | Operating equipment under construction | Total |
| **11 - Property, plant and equipment** | | | | | |
| Cost at 1 October 2016 | | 48,903 | 163,529 | 2,498 | 467,501 |
| Additions for the year | 639 | 371 | 5,010 | 527 | 6,547 |
| Disposals for the year | -2,986 | -418 | -12,961 | -2,386 | -18,751 |
| Reclassification | 100 | -100 | 33 | -33 | 0 |
| Transferred to assets relating to discontinued operations | 0 | 0 | -17,869 | 0 | -17,869 |
| **Cost at 30 September 2017** | **250,324** | **48,756** | **137,742** | **606** | **437,428** |
| | | | | | |
| Depreciation at 1 October 2016 | -91,944 | -11,997 | -102,946 | 0 | -206,887 |
| Depreciations for the year | -9,986 | -4,612 | -17,587 | 0 | -32,185 |
| Impairment for the year | -62,214 | -10,309 | -23,377 | -262 | -96,162 |
| Disposals for the year | 2,986 | 418 | 12,792 | 0 | 16,196 |
| Reclassification | -100 | 100 | 0 | 0 | 0 |
| Transferred to assets relating to discontinued operations | 0 | 0 | 13,461 | 0 | 13,461 |
| **Depreciation at 30 September 2017** | **-161,258** | **-26,400** | **-117,657** | **-262** | **-305,577** |
| | | | | | |
| **Carrying amount at 30 September 2017** | **89,066** | **22,356** | **20,085** | **344** | **131,851** |
| | | | | | |
| **Carrying amount at 30 September 2016** | **160,627** | **36,906** | **60,583** | **2,498** | **260,614** |
| | | | | | |
| Depreciated over | 25-50 years | Lease term | 3-10 years | | |
| | | | | | |
| Hereof assets held under finance leases | 12,446 | 0 | 0 | 0 | 12,446 |
| | | | | | |
| Hereof leased assets | 0 | 0 | 3,569 | 0 | 3,569 |

| | Parent | | | | |
|---|---|---|---|---|---|
| | Land and buildings | Leasehold improvements | Plant and machinery | Operating equipment under construction | Total |
| Cost at 1 October 2016 | 252,571 | 48,903 | 152,019 | 2,498 | 455,991 |
| Additions for the year | 639 | 371 | 3,545 | 527 | 5,082 |
| Disposals for the year | -2,986 | -418 | -8,147 | -2,386 | -13,937 |
| Reclassification | 100 | -100 | 33 | -33 | 0 |
| **Cost at 30 September 2017** | **250,324** | **48,756** | **147,450** | **606** | **447,136** |
| | | | | | |
| Depreciation at 1 October 2016 | -91,944 | -11,997 | -96,720 | 0 | -200,661 |
| Depreciations for the year | -9,986 | -4,612 | -15,399 | 0 | -29,997 |
| Impairment for the year | -62,214 | -10,309 | -23,377 | -262 | -96,162 |
| Disposals for the year | 2,986 | 418 | 7,978 | 0 | 11,382 |
| Reclassification | -100 | 100 | 0 | 0 | 0 |
| Depreciation at 30 September 2017 | **-161,258** | **-26,400** | **-127,518** | **-262** | **-315,438** |
| | | | | | |
| **Carrying amount at 30 September 2017** | **89,066** | **22,356** | **19,932** | **344** | **131,698** |
| | | | | | |
| **Carrying amount at 30 September 2016** | **160,627** | **36,906** | **55,299** | **2,498** | **255,330** |
| | | | | | |
| Depreciated over | 25-50 years | Lease term | 3-10 years | | |
| | | | | | |
| Hereof assets held under finance leases | 12,446 | 0 | 0 | 0 | 12,446 |
| Hereof leased assets | 0 | 0 | 0 | 0 | 0 |

# Notes to the financial statements

**Consolidated financial statements and parent company financial statements 1 October – 30 September**

| DKK'000 | Parent 2016/2017 | Parent 2015/2016 |
|---|---|---|
| **12 - Investments in subsidiaries** | | |
| Cost at 1 October | 194,265 | 194,265 |
| Transferred to assets relating to discontinued operations | -147,795 | 0 |
| Cost at 30 september | 46,470 | 194,265 |
| | | |
| **Adjustments at 1 October** | **-87,396** | **-97,253** |
| Profit from ownership interests | 21,330 | 9,857 |
| Dividends received | -27,000 | 0 |
| Transferred to assets relating to discontinued operations | 43,842 | 0 |
| Balances with subsidiaries | 1,260 | 0 |
| **Adjustments at 30 September** | **-47,964** | **-87,396** |
| | | |
| **Carrying amount at 30 September** | **-1,494** | **106,869** |

| Name | Registered office | Share capital | Investment | Profit/loss after tax |
|---|---|---|---|---|
| Siemens Industry Software A/S | Ballerup | 500 | -2,754 | -350 |
| Balances with subsidiaries | | | 1,260 | 0 |
| | | | **-1,494** | **-350** |

The entity are a wholly-owned subsidiary of Siemens A/S.

| | Group 2016/2017 | Group 2015/2016 | Parent 2016/2017 | Parent 2015/2016 |
|---|---|---|---|---|
| **13 - Other securities** | | | | |
| Cost at 1 October | 100 | 100 | 100 | 100 |
| **Carrying amount at 30 September** | **100** | **100** | **100** | **100** |
| | | | | |
| **14 - Receivables** | | | | |
| Of total receivables, long-term borrowing totals DKK 0 thousand (2015/2016: DKK 0 thousand) | | | | |
| | | | | |
| **15 - Construction contracts, net** | | | | |
| Construction contracts | 2,936,121 | 2,302,297 | 2,934,291 | 2,301,645 |
| Prepayments received from customers | -2,712,423 | -2,133,120 | -2,687,798 | -2,123,260 |
| Transferred to liabilities relating to discontinued operations | 24,625 | 0 | 0 | 0 |
| | **248,323** | **169,177** | **246,493** | **178,385** |
| *Distributed as follows in the balance sheet:* | | | | |
| Construction contracts, net | 386,809 | 482,828 | 384,979 | 482,176 |
| Prepayments received from customers, net | -138,486 | -313,651 | -138,486 | -303,791 |
| | **248,323** | **169,177** | **246,493** | **178,385** |
| **16 - Deferred tax asset** | | | | |
| Deferred tax asset at 1 October | 0 | 0 | 0 | 0 |
| Changes in deferred tax for the year | 8,830 | 0 | 11,840 | 0 |
| Transferred to liabilities relating to discontinued operations | 3,161 | 0 | 0 | 0 |
| Deferred tax asset at 30 September | 11,991 | 0 | 11,840 | 0 |
| | | | | |
| *The deferred tax asset relates to:* | | | | |
| Intangible assets | 162 | 0 | 162 | 0 |
| Property, plant and equipment | 2,516 | 0 | 2,446 | 0 |
| Non-fixed assets | -22,484 | 0 | -22,484 | 0 |
| Provisions and liabilities | 31,797 | 0 | 31,716 | 0 |
| | **11,991** | **0** | **11,840** | **0** |

## Consolidated financial statements and parent company financial statements 1 October – 30 September

| | Group | | Parent | |
|---|---|---|---|---|
| DKK'000 | **2016/2017** | 2015/2016 | **2016/2017** | 2015/2016 |
| **17 - Prepayments** | | | | |
| Prepayments comprise costs incurred concerning subsequent financial years. | | | | |
| | | | | |
| **18 - Warranty commitments** | | | | |
| Warranty commitments at 1 October | 65,723 | 75,159 | 48,167 | 56,185 |
| Used during the year | -10,175 | -5,291 | -3,051 | -3,777 |
| Release of unused warranty commitments | -28,766 | -33,692 | -21,645 | -22,663 |
| Additions for the year | 32,977 | 29,547 | 21,798 | 18,422 |
| Transferred to liabilities relating to discontinued operations | -14,490 | 0 | 0 | 0 |
| Warranty commitments at 30 September | **45,269** | **65,723** | **45,269** | **48,167** |
| | | | | |
| *Expected maturities for warranty commitments:* | | | | |
| 0-1 years | 3,988 | 32,478 | 3,988 | 25,775 |
| 1-5 years | 27,388 | 27,574 | 27,388 | 16,721 |
| > 5 years | 13,893 | 5,671 | 13,893 | 5,671 |
| | **45,269** | **65,723** | **45,269** | **48,167** |
| **19 - Deferred tax** | | | | |
| Deferred tax at 1 October | 18,767 | 5,356 | 19,134 | 8,443 |
| Prior-year adjustments | 13 | 1,483 | -349 | 1,458 |
| Adjustments of deferred tax in the year | -18,780 | 11,928 | -18,785 | 9,233 |
| Deferred tax at 30 September | **0** | **18,767** | **0** | **19,134** |
| | | | | |
| *Deferred tax relates to:* | | | | |
| Intangible assets | 0 | 5,652 | 0 | -216 |
| Property, plant and equipment | 0 | 19,585 | 0 | 21,107 |
| Non-fixed assets | 0 | 29,177 | 0 | 29,245 |
| Provisions and liabilities | 0 | -35,647 | 0 | -31,002 |
| | **0** | **18,767** | **0** | **19,134** |
| | | | | |
| **20 - Other provisions** | | | | |
| Other provisions at 1 October | 32,920 | 42,983 | 20,105 | 35,649 |
| Used during the year | -36,409 | -16,979 | -16,931 | -11,317 |
| Release of unused warranty commitments | -15,101 | -25,774 | -7,581 | -21,032 |
| Provision for the year | 41,588 | 32,690 | 19,840 | 16,805 |
| Transferred to liabilities relating to discontinued operations | -7,565 | 0 | 0 | 0 |
| Other provisions at 30 September | **15,433** | **32,920** | **15,433** | **20,105** |
| | | | | |
| *Expected maturities for other provisions:* | | | | |
| 0-1 years | 6,536 | 31,600 | 6,536 | 18,785 |
| 1-5 years | 8,897 | 445 | 8,897 | 445 |
| > 5 years | 0 | 875 | 0 | 875 |
| | **15,433** | **32,920** | **15,433** | **20,105** |
| | | | | |
| **21 - Lease liabilities** | | | | |
| Lease liability | 63,818 | 68,065 | 63,818 | 68,065 |
| Current portion thereof | 4,607 | 4,248 | 4,607 | 4,248 |
| Lease liability falling due for payment after five years | 37,295 | 43,523 | 37,295 | 43,523 |
| | | | | |
| **22 - Deferred income** | | | | |
| Deferred income comprises payments received concerning income in subsequent years. | | | | |

# Notes to the financial statements

**Consolidated financial statements and parent company financial statements 1 October – 30 September**

| | Group | | Parent | |
|---|---|---|---|---|
| DKK'000 | 2016/2017 | 2015/2016 | 2016/2017 | 2015/2016 |
| **23 - Contingent liabilities** | | | | |
| Performance bonds vis-à-vis third party | 1,542,200 | 1,621,552 | 1,542,200 | 1,621,470 |
| Hereof guaranteed by group entity | 197,138 | 299,907 | 197,138 | 299,907 |
| Rent obligations | 151,184 | 145,516 | 151,184 | 145,516 |
| Other lease liabilities | 37,034 | 53,214 | 35,209 | 41,309 |
| The Company is jointly and severally liable with other jointly-taxed group entities for payment of corporate income taxes for the income years after 2013 and withholding taxes falling due for payment on or after 1 July 2012 in the group of jointly taxed entities. | | | | |
| | | | | |
| **24 - Cash flow statement – adjustments** | | | | |
| Depreciation/amortisation | 162,052 | 81,251 | | |
| Gain on the disposal of fixed assets | -3,347 | -870 | | |
| Change in warranty provisions | -5,964 | -9,436 | | |
| Change in other provisions | -9,922 | -10,063 | | |
| Miscellaneous adjustments | 1 | 668 | | |
| Adjustment relating to discontinued operations | -24,025 | 0 | | |
| | **118,795** | **61,550** | | |
| **25 - Changes in working capital** | | | | |
| Change in inventories | 9,460 | -11,231 | | |
| Change in receivables | -2,284 | -197,011 | | |
| Change in trade payables, etc. | -88,143 | 157,362 | | |
| Adjustment relating to discontinued operations | -17,767 | 0 | | |
| | **-98,734** | **-50,880** | | |
| **26 - Disposals upon demerger** | | | | |
| Property, plant and equipment | | | 0 | -660 |
| Inventories | | | 0 | -1,491 |
| Receivables | | | 0 | -45,796 |
| Deferred tax | | | 0 | -3,993 |
| Warranty commitments and other provisions, etc. | | | 0 | 27,875 |
| Trade payables | | | 0 | 1,435 |
| Other payables | | | 0 | 58,778 |
| | | | **0** | **36,148** |
| | | | | |
| Entered in investments | | | 0 | -36,148 |
| | | | | |
| **27 - Staff costs** | | | | |
| Fees to the parent company's Supervisory Board | 680 | 680 | 680 | 680 |
| Remuneration to the parent company's Executive Board | 19,053 | 11,899 | 19,053 | 11,899 |
| Wages and salaries, total | 799,001 | 815,714 | 677,386 | 705,532 |
| Pensions | 76,240 | 83,538 | 64,902 | 72,978 |
| Other social security costs | 10,713 | 11,776 | 9,849 | 10,856 |
| Other staff costs | 1,170 | 1,160 | 0 | 0 |
| Transferred to Profit after tax from discontinued operations | -104,494 | 0 | 0 | 0 |
| | **802,363** | **924,767** | **771,870** | **801,945** |
| | | | | |
| Average number of employees | **1,162** | **1,294** | **1,000** | **1,139** |
| Adjustment relating to discontinued operations | -131 | 0 | 0 | 0 |
| | **1,031** | **1,294** | **1,000** | **1,139** |

# Notes without reference

**Consolidated financial statements and parent company financial statements 1 October – 30 September**

| | Group | | Parent | |
|---|---|---|---|---|
| DKK'000 | **2016/2017** | 2015/2016 | **2016/2017** | 2015/2016 |
| **28 - Fees paid to auditors appointed at the annual general meeting** | | | | |
| **Total fees** | 1,106 | 1,236 | 734 | 834 |
| **Adjustment relating to discontinued operations** | -294 | 0 | 0 | 0 |
| | **812** | **1,236** | **734** | **834** |
| | | | | |
| *Analysed as follows:* | | | | |
| Fee for statutory audit | 792 | 1,129 | 714 | 756 |
| Fee for other assurance assistance | 0 | 78 | 0 | 78 |
| Fee for non-audit services | 20 | 29 | 20 | 0 |
| | **812** | **1,236** | **734** | **834** |
| | | | | |
| **29 - Appropriation of profit/loss** | | | | |
| Dividend proposed for the year | | | 137,000 | 152,000 |
| Retained earnings | | | 38,098 | 869 |
| | | | **175,098** | **152,869** |

**30 - Use of derivative financial instruments**

As part of its hedging of recognised and non-recognised transactions, Siemens A/S makes use of forward exchange contracts.

**Recognised transactions**

Hedging of recognised transactions includes the most significant receivables and payables.

| Valuta | Payment/maturity | Receivables | Liabilities | Hedged through forward exchange contracts | Net position |
|---|---|---|---|---|---|
| USD | <1 year | 5,264 | -820 | 48 | 4,492 |
| EUR | <1 year | 319,774 | -18,632 | -184,190 | 116,952 |
| NOK | <1 year | 35 | -55 | 0 | -20 |
| GBP | <1 year | 801 | -11,634 | 11,298 | 465 |
| CHF | <1 year | 463 | -117 | 0 | 346 |
| SEK | <1 year | 45 | -7,984 | 0 | -7,939 |
| PLN | <1 year | 0 | -2 | 0 | -2 |
| | | **326,382** | **-39,244** | **-172,844** | **114,294** |

At 30 September 2017, unrealised net losses on derivative financial instruments entered into for foreign currency hedging purposes totalled DKK 3,942 thousand, which has been recognised in the income statement.

**31 - Related parties and related party transactions**

The Company's related parties include the Supervisory Board, the Executive Board, executive officers and their family members. Related parties further include entities in the Siemens AG Group. Siemens A/S' ultimate parent is Siemens AG, Wittelbacherplatz 2, Munich, Germany. The consolidated financial statements of Siemens AG may be obtained from the Company.

| | Group | | Parent | |
|---|---|---|---|---|
| DKK'000 | **2016/2017** | | **2016/2017** | |
| **Transaction with related parties** | | | | |
| Revenue and services to related parties | 476.428 | | 424.225 | |
| Revenue and services from related parties | 2.088.626 | | 2.088.626 | |

For transactions with supervisory board and management we refer to the note regarding staff costs. For financial transactions we refer to the notes regarding financial income and financial expenses. For the interim account with related parties we refer to the balance sheet

**32 - Permanent establishments**

The Company has a permanent establishment in the UK.

**33 - Pending legal actions**

The Company is not a party to any significant pending legal actions.

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