# Siemens A/S
# Annual report 2018/2019

**CVR no. 16 99 30 85**

Borupvang 9, 2750 Ballerup • siemens.dk

Translation Only*

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## 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 Siemens A/S

Overall, Siemens A/S' financial performance in the financial year 2018/2019 was satisfactory.

The order intake was considerably higher than in the previous year, primarily because Siemens won a number of major orders in the Smart Infrastructure division.

In the year under review, revenue decreased by DKK 1,086 million from DKK 2,907 million last year to DKK 1,822 million this year. A large part of the decrease is attributable to the demerger of the Gas and Power division (DKK 687 million), which is recognized as a discontinued operation, and a reduction of DKK 329 million attributable to the fact that Distribution Transformers are no longer sold in Denmark. The remainder of the decrease amounts to 2% and is attributable to other business segments.

Relative to 2017/2018, the selling costs and administrative expenses decreased by DKK 23 million.

In the year, Siemens A/S realized a profit of DKK 132 million, which is down DKK 433 million on the year before and in line with the expectations expressed in the annual report for 2017/2018. A significant contributor to the decrease in profit is a gain from the sale of the shares in Siemens Healthcare A/S (DKK 442 million) in the financial year 2017/2018.

Profit for the year amounts to DKK 132 million, and DKK 132 million is expected to be distributed as a dividend to the parent company, Siemens International Holding B.V., Den Haag, The Netherlands.

The average number of full-time employees decreased from 705 in the financial year 2017/2018 to 531 in the financial year 2018/2019, which is primarily attributable to the expected demerger of the Gas and Power division and the closure of the Flow Instruments factory on 30 September 2018.

Siemens A/S expects an increase in revenue of 6-8% in 2019/2020.

The Company's profit from ordinary activities in the financial year 2019/2020 is expected to increase compared with 2018/2019.

In the past year, a number of changes have been made to the corporate structure.

The Siemens AG Group decided to separate its activities in the Gas and Power business segment for purposes of a stock exchange listing in September 2020. In preparation thereof, Siemens has established a new company, Siemens Energy A/S, to which the Gas and Power activities of Siemens A/S were transferred by way of demerger with accounting effect from 1 October 2019.

Effective from 31 March 2019, Siemens A/S' ownership interest in Siemens Industry Software A/S was sold to Siemens AG and is now owned by Siemens Beteiligungen Europa GmbH, Germany.

The Siemens Mobility activities were transferred to Siemens Mobility A/S by way of demerger with accounting effect from 1 October 2018. Siemens Mobility A/S is now owned by Siemens Mobility Holding B.V., Den Haag, the Netherlands.

Claus Møller
CEO, Siemens A/S

# Statement by Management

The Executive Board and the Supervisory Board have today discussed and approved the annual report, including the Management's review of Siemens A/S for 2018/2019.

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

We consider the accounting policies used to be appropriate. Accordingly, the annual report gives a true and fair view of the Company's financial position at 30 September 2019 and of the results of the Company's operations and cash flows for the financial year 1 October 2018 – 30 September 2019.

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 is approved at the annual general meeting.

**Ballerup, 4 December 2019**

**Executive Board:**

Claus Møller
*(CEO)*

Jürgen Lippert
*(CFO)*

**Supervisory Board:**

Per Mikael Gustaf Leksell
*(Chairman)*

Antonis Eleftheriou

Kenneth Elsberg

Jaana Maria Kupila

Jürgen Lippert

Claus Møller

Kurt Othendal Nielsen

# Independent auditor’s report

## To the shareholders of Siemens A/S

### Opinion
We have audited the financial statements of Siemens A/S for the financial year 1 October 2018 – 30 September 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement, and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company’s financial position at 30 September 2019 and of the results of its operations and cash flows for the financial year 1 October 2018 – 30 September 2019 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 financial statements” section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence
We are independent of the Company 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.

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

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

### Auditor’s responsibilities for the audit of financial statements
Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the 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 Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

# Independent auditor's report

- evaluate the overall presentation, structure, and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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 financial statements does not cover the Management's review and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the 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 the work we have performed, we conclude that the Management's review is in accordance with the 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, 4 December 2019

Ernst & Young
Godkendt Revisionspartnerselskab

| | |
|---|---|
| Thomas Bruun Kofoed<br>State Authorised<br>Public Accountant<br>mne28677 | Simon Blendstrup<br>State Authorised<br>Public Accountant<br>mne44060 |

# Company details

**Siemens A/S**
Borupvang 9
DK-2750 Ballerup
CVR no.: 16 99 30 85
Established: 1993
Registered office: Ballerup

**Supervisory Board**
Per Mikael Gustaf Leksell, Chairman
Antonis Eleftheriou
Kenneth Elsberg
Jaana Maria Kupila
Jürgen Lippert
Claus Møller
Kurt Othendal Nielsen

**Executive Board**
Claus Møller
Jürgen Lippert

**Auditor**
Ernst & Young
Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg

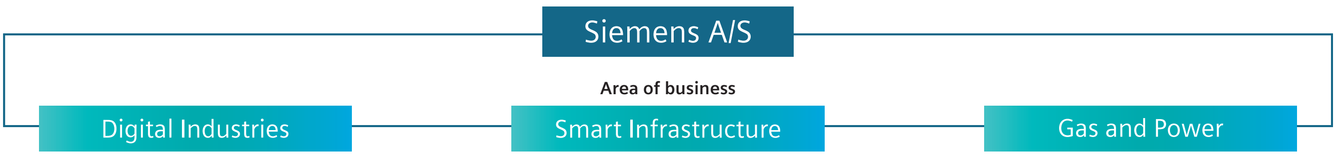
Thomas Bruun Kofoed
State Authorised Public Accountant
MNE no.: mne28677

Simon Blendstrup
State Authorised Public Accountant
MNE no.: mne44060

**Annual general meeting**
The annual general meeting will be held on 4 December 2019.

# Division chart

**Siemens group chart at 30 September 2019**




**Other Siemens activities in Denmark**

The entities are affiliated companies and are not part of the consolidation of Siemens A/S.
- Siemens Energy A/S
- Siemens Gamesa Renewable Energy A/S
- Siemens Healthcare A/S
- Siemens Industry Software A/S
- Siemens Mobility A/S
- Siemens Aarsleff Konsortium I/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

# Key figures for the last 5 years

5-year financial highlights for Siemens A/S

| DKKm | **2018/2019** | 2017/2018 | 2016/2017 | 2015/2016 | 2014/2015 |
|---|---|---|---|---|---|
| Net revenue | 1,822 | 2,908 | 3,049 | 2,753 | 2,409 |
| Operating profit/loss | 126 | 610 | 180 | 159 | 114 |
| Net financials | 0 | -1 | -5 | -6 | -2 |
| Profit/loss for the year | 132 | 582 | 149 | 125 | 100 |
| | | | | | |
| Proposed dividend | 132 | 581 | 137 | 152 | 135 |
| | | | | | |
| Fixed assets | 24 | 32 | 130 | 362 | 375 |
| Current assets | 819 | 1,817 | 964 | 997 | 894 |
| Total assets | 843 | 1,849 | 1,094 | 1,359 | 1,269 |
| | | | | | |
| Share capital | 151 | 151 | 249 | 118 | 159 |
| Equity | 414 | 864 | 436 | 439 | 449 |
| | | | | | |
| Cash flows from operating activities | 259 | 19 | 208 | 99 | 136 |
| Cash flows from investing activities | 45 | 630 | -3 | -5 | -40 |
| – amount related to investments in property, plant and equipment | 7 | -3 | -5 | -5 | -40 |
| Cash flows from financing activities | -582 | -201 | -170 | -158 | -345 |
| – amount relating to net dividend distributions | -581 | -137 | -125 | -135 | -322 |
| Total cash flows | - 278 | 448 | 76 | - 44 | - 226 |
| | | | | | |
| Average number of employees | 531 | 705 | 845 | 962 | 1,009 |
| | | | | | |
| Asset turnover | 1.4 | 1.8 | 2.5 | 2.1 | 3.8 |
| Return on equity | 20.7 | 82.9 | 34.1 | 28.0 | 44.6 |
| Profit margin | 6.9 | 21.0 | 5.9 | 5.8 | 4.7 |
| Return on capital employed | 9.4 | 37.8 | 14.7 | 12.1 | 18.0 |
| Solvency ratio | 49.1 | 46.8 | 36.4 | 32.3 | 38.0 |

Comparative figures are restated to reflect demergers and mergers.
For additions/disposals of business segments and discontinuing operations please refer to accounting policies.

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

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

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

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

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

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

# Operating review

Siemens A/S has operated 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 modernization of Danish society, supplying state-of-the-art products and solutions and with relentless focus on electrification, automation and digitalization. In 2018, Siemens celebrated the 125-year anniversary of its operations in Denmark, hosting a number of internal and external activities, including a digitalization conference held in May 2018.

The digital revolution is paving the way for new innovative products and solutions that will affect all areas of society, and therefore, Siemens focuses on developing digital solutions within all business segments.

The industry is becoming increasingly aware of the importance of introducing new digital tools for designing virtual machinery and production lines, etc., increasing flexibility in the design process and saving time in terms of testing. Moreover, there is still great unexploited potential in collecting data from production for purposes of increasing quality and optimizing maintenance efforts.

The operation of buildings can also be optimized using new digital technologies contributing to an improved indoor climate and to manage the consumption of electricity, lighting, water and heating.

Finally, it will be necessary to increase the digitalization of the electricity grid to handle the increasing share of renewable energy and the increasing share of decentralized energy production.

Siemens is aware of its social responsibility and bases its business and strategy on the principles of sustainability, which are laid down in the UN Global Compact. The Group actively contributes to promoting the 17 Sustainable Development Goals (SDG) that the UN adopted in 2015, focusing on the areas in which Siemens with its portfolio can make a special effort. These areas include "Good health and well-being" (SDG 3), "Affordable and clean energy" (SDG 7), "Industry, innovation and infrastructure" (SDG 9), "Sustainable cities and communities" (SDG 11) and "Climate action" (SDG 13).

Based on the Group's strategy, Siemens A/S has developed a sustainability and corporate social responsibility policy designed to support Siemens' activities as a responsible Danish business and contribute to driving Denmark in a more sustainable direction.

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 up to 2020 and to be a completely $CO_2$ neutral business by 2030.

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.

'In regard to our efforts in respect of society, Siemens prioritizes contributing to the interest in natural science educational programs, 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. Consequently, Siemens supports IDA's Engineer the future campaign and the Girls' Day in Science initiative, etc., and Siemens participates actively in discussions on the development of local communities in the municipalities where Siemens has offices.

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 for new initiatives. A selection of these KPIs are reflected in the Management's review for this year.

**Large contribution**
Primarily through own products and solutions

**Medium contribution**
Primarily through responsible management and operations

**Small contribution**
A limited or indirect effect through partners

## We contribute to the UN's sustainability goals

Siemens AG contributes to the UN's sustainable development goals in various ways through the Group's portfolio of products and solutions, through its expertise, through responsible management and business operations in the entire value chain and through the Group's commitment in the communities in which Siemens operates.

# Our business – risks and management system

Siemens A/S comprises three business segments: Digital Industries, Smart Infrastructure, and Gas and Power.

The business segments market Siemens AG's products and solutions to private and public customers in Denmark either directly or through distributors and agents. Cooperation between the business segments is ensured, e.g. through Key Account Management, which aims to strengthen Siemens' cooperation with customers. 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 organization.

### Corporate Governance

As a subsidiary in the German Siemens Group, Siemens A/S complies with the Group's guidelines and applicable legislation. Moreover, Siemens A/S strives to comply with applicable corporate governance standards.

### Risks

The Company'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' 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 business segments.

If Great Britain leaves the EU without a deal, it will result in great uncertainty as to the business conditions when trading with Great Britain going forward. It will have a negative effect on the business sector in Denmark, particular in sectors depending on the British market. In this connection, the offshore wind sector may be affected and thus Siemens. A number of large deliveries to the British offshore sector have, however, been completed, and therefore, the consequences for Siemens A/S are considered limited in the short term.

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 minimizing risks and Siemens' management system is particularly designed to address these risks.

Siemens' management system is described in the following section, whereas the handling of financial risks, including currency, interest rate, and credit risks, is described in the Management's review. Risks regarding areas relating to Siemens' corporate social responsibility (CSR) are described in the section on social matters and staff matters, environment and society in the Management's review.

### Management system

Siemens A/S has an integrated management system, which includes the quality of Siemens' supplies as well as the internal and the 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 was certified most recently in February 2019. The management system is certified every third year, and consequently, the next certification will take place in February 2022 at the latest.

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 recognized 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.

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 Siemens A/S 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. RIC (Risk and Internal Control) officers have been appointed to organize the extensive control effort. Export control is another important area and EC (Export Control) officers have been appointed to ensure that Siemens observes the export control rules.

Given today's increasing digitalization, requirements as to protection against unauthorized 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 and personal data protection. Therefore, measures such as online training and webinars are carried out – most recently in summer 2019 where mandatory online training in information security was conducted.

### 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 for Siemens Suppliers 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 the CSR areas protection of human rights, freedom of association, the abolition of child labor and discrimination, protection of the environment and anti-corruption. The yearly evaluation among suppliers did not show any violation of the Code of Conduct for Siemens suppliers.

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, significant suppliers are subjected to an annual quality, supply security, environmental management, and working environment. 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 recognized 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 pinpointed by our customers.

The latest NPS, which was performed in the spring of 2019, showed that the average customer satisfaction (APS) has been maintained at a high level. The development in the average score is listed in the table below.

Development in the customers' evaluation of Siemens

| Customer satisfaction (APS) [1] | 2018/2019 | 2017/2018 | 2016/2017 |
|---|---|---|---|
| Customers' evaluation of Siemens (average on a scale from 1 to 10) | 8.32 | 8.31 | 8.26 |

[1] The question asked was: "How likely is it that you would recommend Siemens to a colleague or a business partner?" The figures for 2016/2017 and 2017/2018 have been restated due to the demerger of the Mobility activities.

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

# Siemens environmental portfolio

Global warming poses major challenges to our society due to rising water levels in the oceans and more frequent extreme weather conditions such as rain, drought, huge hurricanes, etc., resulting in heavy costs for our society. It is therefore important to reduce the emission of $CO_2$ into the atmosphere, and the Siemens Group has made the UN's sustainable development goal to strengthen efforts to reduce global warming (Climate action, SDG 13) one of the Group's main priorities.

However, as the world needs more and more energy, it also is important to develop alternatives to fossil fuels and to optimize energy consumption. Siemens makes its contribution through the world's largest portfolio of environmentally friendly solutions and products that help reduce $CO_2$ emissions and thereby reduce 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 the group level, Siemens AG's environmental portfolio accounted for 44% of total revenue on 30 September 2019, which represents a decrease of two percentage points 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 639 million tons, representing an increase of nearly 3% 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 completed a number of energy optimization projects, which contributes to reducing energy consumption in buildings and, thus, $CO_2$ emissions. At the same time, the solutions contribute to better indoor climate and thus a better working environment.

Siemens has completed the establishment of the HVDC link to the Netherlands (COBRAcable) and in the financial year 2018/2019 won an order for a corresponding link to Great Britain (Viking Link). These links contribute to strengthening the infrastructure for renewable energy through a coherent transmission grid, which is a significant assumption for meeting the government's ambitious climate goal to reduce $CO_2$ emissions by 70% by 2030.

In the financial year 2018/2019, Siemens completed a number of orders for the supply of transmission equipment for offshore wind turbine parks near Great Britain. Moreover, in its capacity of subsupplier for the wind power industry, Siemens A/S supplies a major share of the components used in Danish wind turbines.

# Siemens A/S – business segments

## Digital Industries

Digital Industries comprises Siemens AG's business units Factory Automation, Motion Control, Process Automation, Software and Customer Services.

Industrial software activities are handled by the affiliate Siemens Industry Software A/S. The software products and related services from Siemens Industry Software A/S are a part of Siemens' overall Digital Enterprise portfolio.

Revenue increased compared with last year due to the intake of new customers and increased sales to existing customers, including the wind industry. The positive trend affected all business units.

Digital Industries' products and solutions range from standard products to system solutions for automation and energy technologies. Siemens' products can thus be used in all areas of the industry and form the basis of innovative automation solutions as the portfolio covers everything within the field of automation products and systems, process automation and the so-called Drive Train solutions that optimize motor and frequency converters to achieve lower energy consumption.

As the leading supplier of industry software, Siemens contributes to optimization and digitalization of the entire value chain in production companies – from production design and development to sale and services. In this connection, the Group has a strong focus on 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, i.e. to monitor quality and carry out preventive maintenance.

With the use of new digital technologies, digital twins of machinery and production equipment can be created making it possible together with advanced simulation software to test the machinery and the management thereof virtually before commissioning it.

The increasing digitalization and implementation of cloud solutions mean that it will become even more important to protect the Company's data against unauthorized access. Siemens is very focused on Industrial Security with a strong suite of solutions and services compliant with the international standard IEC 62443.

Digital Industries' sales are divided into direct sales to end customers in the industry, 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.

With the comprehensive suite of field-proven automation components and decades of experience within the industry combined with new, innovative software solutions, Siemens is a strong business partner when entities face a digital transformation.


### Siemens and Grundfos enter into a strategic alliance

Siemens and Grundfos have entered into a partnership for purposes of contributing to solving global water challenges and saving energy. This will be achieved by joining forces in digital solutions where Siemens and Grundfos combine their complementary expertise and knowledge to support the objective of global sustainable change. Siemens and Grundfos have identified a number of business opportunities, but firstly, our efforts will be targeted at three main areas: water and waste water applications, industrial automation and construction technology.
*The picture shows the CEO of Grundfos Mads Nipper and the COO of Siemens Digital Industries Dr. Jan Mrosik. Photo: Carsten Andersen.*

# Siemens A/S – business segments

## Smart Infrastructure

Smart Infrastructure supplies products and solutions for energy systems, buildings, and industry to increase the efficiency and sustainability of the way we live, work and move. Smart Infrastructure works to develop intelligent buildings and energy systems and connect them so that the electricity grid is fit for the increasing demand for electricity and the continued development of renewable energy and decentralized energy production.

Smart Infrastructure comprises two segments: Regional Solutions & Services and Product & System Sales. The revenue in 2018/2019 decreased slightly compared with the previous year because a number of new projects have been ordered later than anticipated.

### Regional Solutions & Services

Siemens Regional Solutions & Services (formerly 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 from the pharmaceutical industry to preservation-worthy buildings.

With new digital solutions, Siemens strengthens its focus on making buildings more user-oriented and efficient. When solutions from the recently acquired entities Comfy and Enlighted are integrated into the more traditional portfolio, Siemens paves the way for improved employee comfort, increased productivity, optimized utilization of space and reduced energy consumption as well as reduced $CO_2$ emissions.

Energy optimization of buildings is an important business area. As a so-called ESCO supplier (Energy Service Company), Siemens offers energy renovation solutions with guaranteed savings to both public and private customers. The energy savings from these projects can finance the investment and contributes significantly to reducing energy consumption and thus $CO_2$ emissions from buildings.

Siemens Regional Solutions & Services saw a decrease in revenue in 2018/2019, which is primarily due to delayed orders on energy retrofitting of three hospitals in Region Zealand. Two of the contracts with Køge Hospital and Roskilde Hospital, respectively, have been signed, and the last contract is expected to be signed in the financial year 2019/2020.

In 2018/2019, Siemens completed a large energy retrofitting project at Viborg Hospital. Moreover, Siemens installed extensive fireproofing at Aarhus University Hospital in Skejby.

### Viborg Hospital expects annual energy savings of almost DKK 18 million

The extensive energy retrofitting at Viborg Hospital reduced the heating and energy consumption considerably, which means that the hospital will save almost DKK 18 million each year. The technical optimization includes a new space cooling system, a change from natural gas to district heating, a demand-driven ventilation system with heat recovery, demand- and daylight-driven LED lighting and a CTS system controlling building technology in approx. 700 rooms where patients and employees control temperature, ventilation, and lighting.
*Photo: Agata Ewa Lenczewska-Madsen.*

## Product & System Sales

Product & System Sales comprises the business units Digital Grid, Distribution Systems, Low Voltage Systems, Control Products and Building Products.

Product & System Sales provides products for the electrical infrastructure of society – for the electricity grid and to buildings and industry that manage, control and protect the electricity supply according to the requirements of the individual customer segments. The portfolio comprises components for solar cell plants and wind turbines, batteries for energy storage, charging infrastructure for electric cars and buses, ferries, etc., products for controlling all types of machines and motors and products for heating, ventilation and air conditioning in buildings (HVAC products).

Energy and utility companies, large industrial and transport companies, as well as machine manufacturers are our primary customers with the wind turbine industry as an important customer segment. Moreover, wholesalers are an important sales channel for low-voltage equipment and products for machine control and HVAC products.

One of our large projects in Denmark is the installation of charging infrastructure for electric buses in Copenhagen based on the framework agreement with Movia, which was entered into in 2018. Moreover, the focus is increasing on cybersecurity in the critical infrastructure for which Siemens supplies equipment that can test apparatuses in the overall systems to detect weaknesses and thereby reduce the risk of cyber attacks on electricity infrastructure.

In the coming years, large investments to strengthen the electricity grid are expected for purposes of addressing the increasing electrification that is necessary in order to phase out fossil fuels. At the same time, the electricity grid must be fit for an increasing number of consumers (including buildings) also generating electricity, and the need will increase for intelligent solutions that can decide, for instance, when a building should get electricity from the electricity grid and when it should charge its own batteries. Siemens expects to become a significant provider of the products and solutions to be implemented to future-proof the electricity grid.

### Plants for shore-side electricity reduce air pollution and $CO_2$ emissions considerably

With the increasing cruise tourism, air pollution in harbors and neigboring residential areas will increase. At the same time, more and more people are moving to harbor areas, which are popular areas for urban development, and thus, the need for plants providing ships with electricity as an alternative to the ships' own diesel engines will increase. Siemens' experience from the harbor in Hamburg shows that shore side electricity for cruise ships can be established quickly, which will reduce both particle pollution and $CO_2$ emissions considerably.

# Siemens A/S – business segments

## Gas and Power

Gas and Power comprises the business units Power Generation, Engineering, Procurement and Construction (EPC) Projects, Oil & Gas, Transmission Products, and Process Solutions and Service.

Gas and Power covers a suite of innovative technologies comprising production and transmission of energy.

The portfolio includes steam and gas turbines, compressors and large heat pumps as well as plant control, adjustment and monitoring systems. The business segment further undertakes service and maintenance tasks, including modernization and upgrading of equipment. The primary customers are power plants, industrial, energy and utility companies, and the oil and gas industry.

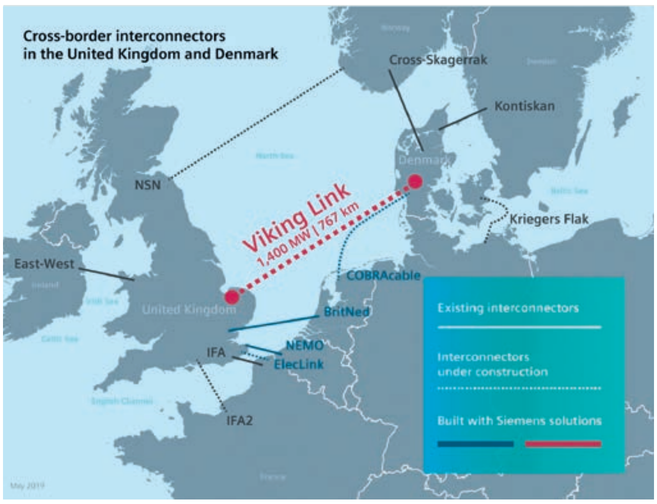
Gas and Power also supplies HVDC systems and many components for transformer stations transmitting power from the high-voltage grid to the distribution network and key components for mains supply to offshore wind farms. The primary customers are energy and utility companies as well as major industrial enterprises.

Gas and Power signed a number of major orders in 2018/2019, including the HVDC link to Great Britain (Viking Link), a complete electrical suite for the American Vineyard Wind Farms' offshore platform comprising transformers, reactors, control gears, and control systems as well as the provision of compressors to the Baltic Pipe project.

Revenue decreased in 2018/2019 compared to the previous year, when electrical equipment for the offshore wind farms Race Bank, Burbo Bank, Walney Extension and Hornsea 1 were delivered. Moreover, the sale of distribution transformers was changed so that sales no longer take place in Denmark.

In 2018/2019, Gas and Power completed the HVDC link to the Netherlands (COBRAcable), which was officially inaugurated on 4 November 2019. Moreover, Gas and Power carried out an upgrade of the control panels of a large amount of power stations and provided mains supply to the offshore wind farms Vesterhav 1+2 and a STATCOM, a system for voltage regulation, to the offshore wind farm Hornsea 1.

The activities in Gas and Power were transferred to a new company, Siemens Energy A/S, by way of demerger with accounting effect from 1 October 2019. As a result, Gas and Power is presented in the financial statements as discontinued activity.




### New HVDC link to Great Britain will strengthen the green transition

This year, Siemens won a contract to deliver two converter stations for the first high-voltage direct-current (HVDC) link between Great Britain and Denmark. Viking Link will make it possible to transmit electricity by up to 1,400 MW and will improve the reliability of supply for consumers in both countries. Thus, the new cable will support the green transition. Siemens will be responsible for the overall system design, supply, installation and commissioning of the converter stations. The link is expected to begin commercial operation in 2023.

# Staff matters

## Employees

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

Siemens has therefore implemented a number of policies to support these measures, including a sickness absence policy, a senior employees' policy, a recruitment and diversity policy as well as a policy against harassment, violence and bullying (including anti-discrimination, etc.). Moreover, Siemens has a well-functioning working environment organization, which in cooperation with Management monitors developments and initiates initiatives.

In terms of wages and salaries, Siemens offers equal pay for equal work based on qualifications and experience.

Siemens' premises primarily comprise office spaces and a few test facilities. In addition, there are activities at client sites in connection with commissioning and assembly as well as service, including transport.

Stress is one of the most significant risk factors, and we continuously focus on this area, where both managers and employees are offered training in how to prevent and handle stress in the workplace.

In respect of workplaces outside Siemens, safety is a significant focus area, and we have implemented "safety walk and talk", which means that managers regularly pay inspection visits and discuss safety precautions with employees.

In general, sickness absence and the number of industrial accidents are low, which indicates that the efforts made to increase safety and health in the workplace are effective.

In 2019, Siemens AG introduced a new concept for people surveys as a survey will be conducted every quarter going forward. It will include a reduced number of basic questions that are repeated each quarter, and in addition, questions regarding specific subjects will be included, for instance questions regarding the compliance culture, working environment, etc. Moreover, the individual business segments may include questions for their own employees.

In 2019, two surveys were conducted in May and September, respectively. The individual departments follow up on the results of the surveys, discuss them with the employees and priorities any measures to be taken. The response rate for the two surveys were 60% and 55%, respectively, which is somewhat lower than for previous surveys. Generally, satisfaction is high among the respondents, as 80% indicate that they will recommend Siemens as a workplace to a friend.

| Employee commitment | 2018/2019 | 2017/2018 | 2016/2017 |
|---|---|---|---|
| Overall commitment score in per cent [1] | 80% | Not completed | 80% |

[1] The commitment score is calculated based on the response to the question: "I would recommend Siemens to a friend as a great place to work". Share scoring 7 or higher on a 1-10 scale (average of surveys conducted in the year).

## Diversity

Diversity among our employees is a matter of importance to the workplace.

Siemens AG strives to promote diversity across its global entities as the Company should reflect the local communities. Moreover, diversity is considered a valuable source of innovation and development, and similarly, lack of diversity thus poses a risk of stagnation.

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 general meeting should be 20% in 2020. As the Supervisory Board counted one female member appointed by the Company in general meeting at 30 September 2019, the goal has been met.

The three employee representatives on the Board are all men.

In recent years, Siemens A/S has seen a positive trend in the share of female executives and the share is now close to the share of female employees (16%), which is our long-term goal. The positive trend is somewhat due to the fact that the share of male executives has decreased, and it is therefore important to maintain our focus when hiring new employees and executives.

| Female executives | 2018/2019 | 2017/2018 | 2016/2017 |
|---|---|---|---|
| No. of women in executive positions [1] | 14% | 13% | 11% |

[1] Comprises the total share of women with management responsibilities. The figures for 2016/2017 and 2017/2018 have been restated due to the demerger of the Mobility activities.

# Staff matters

## 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 the 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 and high educational standards and that a working environment organization that matches the Company's objective has been established. 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). Going forward, the workplace assessment survey will be integrated into the global people survey, which is conducted four times a year so that one of these surveys will focus on the mental working environment. The physical working environment will in future be evaluated separately in a process based on dialogue in the individual departments.

The number of accidents with an absence exceeding one day decreased in 2018/2019 and is now well below the goal set of a maximum of three accidents per million working hours. The sickness absence statistics also show a decrease compared to 2017/2018.

| Accidents and sickness absence | 2018/2019 | 2017/2018 | 2016/2017 |
|---|---|---|---|
| No. of accidents with absence per million working hours [1)] | 2.5 | 3.2 | 5.7 |
| Sickness absence as a percentage [2)] | 2.1% | 2.4% | 2.2% |

[1)] No. of accidents with an 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. The figures for 2016/2017 and 2017/2018 have been restated due to the demerger of the Mobility activities.

## Health

Job satisfaction and health are top priorities at 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 centers.

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

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 health activities such as running, cycling, fitness and yoga. Each year, Siemens also participates in the "cycle to work" campaign, and this year, 49 teams participated in the annual DHL relay race in Copenhagen, and 5 teams participated in Aarhus.

## Competence development

Striving to be an attractive workplace, Siemens prioritizes ongoing training of its employees.

Therefore, competence development is a matter of high priority at Siemens. The Performance Management Process (PMP) is a management concept that has been implemented across the global Siemens organization. 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. Moreover, targets are set for the coming year.

Siemens has its own project management training program, which is designed to ensure a high quality of the Company's projects and thereby minimize 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. With the demerger of the Mobility activities in 2018 and Gas and Power in 2019, the need for new project managers in Siemens A/S is, however, reduced, and in 2018/2019 no new project managers were certified (including commercial project managers).

# Environment

## Environment

Siemens' vision in the environmental area is to be a green company with targeted efforts to protect the environment who includes environmental considerations in its decision-making. Certified according to ISO 14001, Siemens A/S has thus laid down general environmental impact reduction goals. Key parameters in this connection are the consumption of electricity, heating and water, $CO_2$ emissions from company cars and transportation and waste volumes where specific targets have been set.

The development in consumption and emissions is monitored continuously to assess the possibility to reduce the environmental impact to the widest extent possible. For instance, the car policy includes limits for the $CO_2$ emissions of company cars, and employees are using modern communication technologies to limit traveling.

The Siemens AG Group aims at reducing the Group's $CO_2$ emissions by 50% in 2020 compared to 2015 and at being carbon-neutral in 2030.

The environmental and climate-related risks associated with Siemens A/S' activities in Denmark are relatively small, as Siemens A/S does not have production facilities and thus only handles environmentally hazardous waste to a limited extent.

Siemens A/S' headquarters at Borupvang 9 are Gold certified in accordance with the so-called LEED-standard (Leadership in Energy and Environment Design), which ensures optimum energy utilization and sound indoor climate. The below overview shows the trend in the financial ratios of the building.

| Waste and consumption of electricity, water and heating [1] | 2018/2019 | 2017/2018 | 2016/2017 |
|---|---|---|---|
| **The total volume of waste in tons** | 120.1 | 119.6 | 117.5 |
| *– share to be recycled as a percentage (target: 60%)* | *60%* | *59%* | *55%* |
| **Consumption of electricity in kWh per $m^2$ (target maximum: 84 kWh/$m^2$)** | 79.0 | 76.6 | 73.4 |
| **Consumption of heating in kWh per $m^2$ (target maximum: 80 kWh/$m^2$)** | 31.9 | 31.1 | 29.5 |
| **Consumption of water in liters per $m^2$ (target: -5% per year)** | 350.8 | 361.2 | 362.0 |

[1] At the address Borupvang 9.

The total waste volume increased slightly by less than 1% in 2018/2019. At the same time, the share of waste being recycled has increased to 60%, and thus, the target has been met.

The consumption of electricity and heating increased, whereas water consumption decreased by 3% due to the installation of water-saving fittings. The consumption of electricity and heating is still below the set targets.

Siemens A/S meets its annual consumption of electricity via Ørsted 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 independent auditors guarantee 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.

Our company cars are a significant source of $CO_2$ emissions, and as part of the goal to reduce the Group's $CO_2$ emissions by 50%, Siemens AG aims to reduce emissions from their company cars significantly. The table below shows the trend in $CO_2$ emissions from company cars owned by Siemens A/S.

| $CO_2$ emissions from company cars [1] | 2018/2019 | 2017/2018 | 2016/2017 |
|---|---|---|---|
| *Standard emissions (g/km)* | 121.5 | 117.5 | 119.0 |
| *Actual emissions (g/km)* | 168.1 | 168.7 | 172.1 |

[1] The survey shows emissions from the total portfolio of company cars with white license plates in the respective financial years. The figures for 2016/2017 and 2017/2018 have been restated due to the demerger of the Mobility activities.

The standard figure for the total portfolio of company cars was 121.5 g/km at 30 September 2019, which is an increase compared with last year. The actual emission was slightly reduced and is still significantly above the standard. Overall, company cars emitted at little more than 1,200 tons of $CO_2$ in 2018/2019. In addition, service cars emitted almost 628 tons of $CO_2$.

The car policy was revised in 2019 so that, going forward, the basis for assessing the energy efficiency of the cars will be their energy rating. To motivate employees to choose a company car with low $CO_2$ emissions, Siemens has introduced an extra user charge when choosing a car with energy rating B. If employees choose a car with energy rating A++, their option to choose an electric car or a hybrid car will improve. It is not possible to choose cars with energy rating C.

As for other transportation, Siemens entered into an agreement with DriveNow in 2018 making it easier for employees to choose sustainable transportation in connection with meetings in the Greater Copenhagen Area and selected European locations. Unfortunately, the use of DriveNow has been very limited.

In autumn 2019, The Federation of Danish Motorists (FDM) plans to launch a carpool scheme for the Lautruppark area to get more employees to carpool to and from work and thus ease the traffic pressure in the morning and evening hours. Siemens is among the companies supporting the new scheme.

# Local communities

## Local communities

Siemens' strategy is based on a general understanding of the Company's role in society that entails that the Company must create value – not only to shareholders but to the societies in which the Company operates. The Company's activities must serve a purpose that involves more than just making money but also contributes to solving some of our considerable challenges, such as global warming.

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. Arts and culture as well, as social matters, are also supported to a certain extent. Moreover, Siemens is an active player in the annual People's Political Festival on Bornholm, where the management team participates in a number of debates.

The risk of carrying on business in Denmark in respect of corruption and bribery as well as compliance with basic human and labor rights is limited as Denmark is listed as one of the least corrupt countries in the world on Transparency International's index year after year. At the same time, Siemens' internal control systems contribute to minimizing the risk of non-compliance with legislation as described in detail above in the section on the management system.

## Protection of human rights

Siemens' Business Conduct Guidelines contain the basic principles and rules on how Siemens' employees are expected to act towards each other, external business partners and the general public. The requirement to comply with applicable rule of law, respect people of various ethnic origin, culture, religion, sexual orientation, gender, etc., and managers' special responsibility to meet their organizational and supervisory duties are emphasized.

These principles imply that Siemens tolerates neither discrimination based on the above-mentioned differences nor offensive behavior, sexual harassment or other types of abuse. These principles are also reflected in the requirements of Siemens' suppliers, which are described in the section on the activities above.

Siemens' Business Conduct Guidelines were updated and relaunched in 2019, and the employees were made aware of the contents of the Guidelines at information meetings and through e-learning.

In connection with the global people survey in September, a number of questions were asked regarding the compliance culture and the responses show that the employees understand the importance of ethically correct behavior to a very large extent. More than 90% of the employees believe that Siemens' business principles are complied with in their department and that ethically correct behavior is beneficial to the Company. A corresponding number of employees replied that they are willing to report violations of Siemens' business principles if they become aware of such violations.

## Research and training

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 staff.

The Technical University of Denmark, DTU, is an important business partner with Principal Partner University status – a partnership that comprises 17 leading universities across the world. The research cooperation with Siemens is focused on optimizing the utilization of wind energy, including storage technology, etc. Siemens works closely with DTU to develop a new type of electrolysis systems to manufacture a number of chemicals to replace fossil fuels.

The Siemens Foundation was established in 1964 for the purpose of supporting research and educational projects primarily within the technical-scientific area, and the Foundation receives an annual payment from Siemens A/S. In the financial year 2018/2019, the Foundation donated DKK 323,000 to 14 projects, of which half were awarded to Danish university students' thesis projects. Moreover, support was granted to activities helping to increase interest in technology.

Siemens is co-sponsor of the Danish Association of Engineers "Engineer the Future" campaign, whose purpose is to attract more young people to the engineering profession. Siemens also supports IDA's Girls' Day in Science initiative whose purpose is to attract more women to the technological study programs within the STEM areas (Science, Technology, Engineering, Mathematics). As part of this initiative, Siemens hosted a workshop where 23 girls from the 8th grade from three different schools tried working on a Raspberry Pi minicomputer to analyse indoor climate data from their school.

Siemens also co-sponsored the annual RoboCup competition at DTU where students build self-driving robots that race down an obstacle course.

## 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.

In 2018/2019, Siemens chose to support the Christmas Seal Fund (Julemærkefonden) by donating an annual amount. The first Christmas seal was issued in 1904, and the funds raised from the first years were used to build the Christmas Seal Sanatorium in Kolding. Today, the Christmas Seal Fund operates five Christmas seal homes offering children aged 7-14 10-week stays to help them fight loneliness and social isolation, low self-esteem, bullying, and overweight.

In 2018/2019, Siemens also supported an event to mark the 50th anniversary of Dansk-Tysk Selskab.

### Siemens supports the Christmas Seal Fund

This year's Christmas seal was revealed at an event at Copenhagen City Hall on 28 October 2019, where a choir from the Christmas seal home in Hobro sang Christmas carols with Stig Rossen who himself stayed at a Christmas seal home as a child.
HRH The Crown Princess is a patron of the Christmas Seal Fund.
This year's Christmas seal is designed by illustrator Per O. Jørgensen.
*Photo: Henrik Petit.*

# Financial review – Siemens A/S

In the year under review, revenue decreased by DKK 1,086 million from DKK 2,907 million last year to DKK 1,822 million this year. A large part of the decrease is attributable to the demerger of the Gas and Power division (DKK 687 million), which is recognized as a discontinued operation, and a reduction of DKK 329 million attributable to the fact that Distribution Transformers are no longer sold in Denmark. The remainder of the decrease amounts to 2% and is attributable to other business segments.

Relative to 2017/2018, the selling costs and administrative expenses decreased in line with revenue.

In the year, Siemens A/S realized a profit of DKK 132 million, which is down DKK 433 million on the year before and in line with the expectations expressed in the annual report for 2017/2018. A significant contributor to the decrease in profit is a gain from the sale of the shares in Siemens Healthcare A/S (DKK 442 million) in the financial year 2017/2018.

Profit for the year amounts to DKK 132 million, and DKK 132 million is expected to be distributed as a dividend to the parent company, Siemens International Holding B.V., Den Haag, The Netherlands.

## Balance sheet

Total assets decreased by DKK 1,180 million compared with last year. The decrease is primarily attributable to a decrease in trade receivables and a financial receivable from group entities, fixed assets, and construction contracts, net.

## Cash flows

Cash flows from operating activities increased from DKK 19 million to DKK 258 million, mainly due to an improvement of cash flows from operating activities and working capital.

## Investments

During the year, investments totaling DKK 3 million were made in property, plant, and equipment. This is in line with last year. The investments made in the year comprise operating equipment, fixtures and fittings.

## Outlook

Siemens expects an increase in revenue of 6-8% in 2019/2020.

The Company's profit from ordinary activities in the financial year 2019/2020 is expected to increase compared with 2018/2019.

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

### Currency risks

Siemens' 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 company's exchange rate risks are primarily hedged through derivative financial instruments. It is the company's currency policy to hedge projects with a net exposure of more than EUR 1 million.

The product business is hedged for 3 months at a time based on expected sales/purchases. Furthermore, the Group hedges a minimum of 75% of its net currency positions, and net positions EUR 1 million are not hedged.

### Interest rate risks

Siemens' interest-bearing debt primarily consists of financial debt to group entities. It is not the Company'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 2 million.

### Credit risks

Siemens is not exposed to any significant risks relating to any particular customer or business partner. Siemens' policy in respect of credit risks implies that all major customers and other cooperators are credit-rated on an ongoing 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 1 million was expensed in the income statement of Siemens A/S for 2018/2019.

Furthermore, Siemens AG has established a program 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 2018/2019.

# Income statement

**Annual report 1 October – 30 September**

| DKK'000 | Note | 2018/2019 | 2017/2018 |
|---|---|---|---|
| Revenue | 3 | 1,821,665 | 2,907,926 |
| Production costs | | -1,504,544 | -2,477,168 |
| Gross profit/loss | | 317,121 | 430,758 |
| Distribution costs | | -259,493 | -283,329 |
| Administrative expenses | | -6,928 | -6,441 |
| Profit before other operating income | | 50,700 | 140,988 |
| Other operating expenses | 4 | 0 | -25,990 |
| Other operating income | 5 | 75,539 | 495,427 |
| Profit before net financials | | 126,239 | 610,425 |
| Profit after tax in subsidiaries | | 0 | 275 |
| Financial income | 6 | 194 | 777 |
| Financial expenses | 7 | -459 | -1,951 |
| Profit from ordinary activities | | 125,974 | 609,526 |
| Tax on profit from ordinary activities | 8 | -22,313 | -44,453 |
| Profit for the year from continuing operations | | 103,661 | 565,073 |
| Profit after tax from discontinued operations | 9 | 28,380 | 0 |
| Profit for the year | | 132,041 | 565,073 |

# Balance sheet

**Annual report 1 October – 30 September**

**Assets**

| DKK'000 | Note | 2018/2019 | 2017/2018 |
|---|---|---|---|
| Fixed assets | | | |
| Intangible assets | 10 | | |
| Goodwill | | 480 | 0 |
| Total intangible assets | | 480 | 0 |
| | | | |
| Property, plant and equipment | 11 | | |
| Land and buildings | | 5,785 | 13,288 |
| Leasehold improvements | | 13,573 | 16,411 |
| Fixtures and fittings, tools and equipment | | 4,247 | 4,407 |
| Total property, plant and equipment | | 23,605 | 34,106 |
| | | | |
| Investments | | | |
| Other securities | 13 | 0 | 0 |
| Total investments | | 0 | 0 |
| | | | |
| Total fixed assets | | 24,085 | 34,106 |
| | | | |
| Non-fixed assets | | | |
| Inventories | | 18,892 | 28,303 |
| | | | |
| Receivables | 14 | | |
| Trade receivables | | 377,664 | 602,525 |
| Receivables from group entities | | 212,400 | 490,788 |
| Construction contracts, net | 15 | 35,479 | 55,883 |
| Deferred tax asset | 16 | 3,045 | 0 |
| Joint taxation contribution receivables from group entities | | 150,914 | 603,035 |
| Other receivables | | 17,387 | 26,978 |
| Prepayments | 17 | 3,154 | 5,129 |
| Total receivables | | 800,043 | 1,784,338 |
| | | | |
| Cash | | 0 | 4,626 |
| | | | |
| Assets relating to discontinued operations | 9 | 135,378 | 0 |
| | | | |
| Total non-fixed assets | | 954,313 | 1,817,267 |
| | | | |
| Total assets | | 978,398 | 1,851,373 |

**Annual report 1 October – 30 September**

**Equity and liabilities**

| DKK'000 | Note | 2018/2019 | 2017/2018 |
|---|---|---|---|
| Equity | | | |
| Share capital | | 151,000 | 151,000 |
| Retained earnings | | 132,471 | 132,430 |
| Proposed dividend | | 132,000 | 581,000 |
| Total equity | | 415,471 | 864,430 |
| | | | |
| Provisions | | | |
| Warranty commitments | 18 | 29,871 | 38,950 |
| Deferred tax | 19 | 0 | 1,971 |
| Other provisions | 20 | 12,427 | 14,131 |
| Provision for loss on subsidiaries | 12 | 0 | 2,479 |
| Total provisions | | 42,298 | 57,531 |
| | | | |
| Liabilities other than provisions | | | |
| Current liabilities other than provisions | | | |
| Financial debt to group entities | | 0 | 4,945 |
| Prepayments received from customers | | 14,364 | 62,109 |
| Trade payables | | 51,016 | 90,314 |
| Joint taxation contribution liabilities to group entities | | 0 | 439 |
| Corporation tax payable | | 141,618 | 567,051 |
| Other payables | | 149,003 | 200,744 |
| Prepayments | 21 | 30,628 | 3,810 |
| Liabilities relating to discontinued operations | 9 | 134,000 | 309,381 |
| Total current liabilities other than provisions | | 520,629 | 1,238,793 |
| | | | |
| Total liabilities | | 520,629 | 1,238,793 |
| | | | |
| Total equity and liabilities | | 978,398 | 2,158,275 |
| | | | |
| Events after the balance sheet date | 2 | | |
| Contingent liabilities | 22 | | |
| Staff costs | 25 | | |
| Fees paid to auditor appointed at the annual general meeting | 26 | | |
| Distribution of profit/loss | 27 | | |
| Use of derivative financial instruments | 28 | | |
| Related parties and related party transactions. | 29 | | |
| Permanent establishments | 30 | | |
| Pending legal actions | 31 | | |

# Statement of changes in equity

**Annual report 1 October – 30 September**

| DKK'000 | Share capital | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|
| Equity at 30 September 2017 | 151,000 | 250,411 | 137,000 | 538,411 |
| Distribution of the Mobility division by demerger | 0 | -105,054 | 0 | -102,054 |
| Adjusted equity at 30 September 2017 | 151.000 | 148,357 | 137.000 | 436.357 |
| Dividends paid | 0 | 0 | -137,000 | -137,000 |
| Profit/loss for the year | 0 | -15,927 | 581,000 | 565,073 |
| **Equity at 30 September 2018** | 151,000 | **132,430** | **581,000** | **864,430** |
| | | | | |
| Dividends paid | 0 | 0 | -581,000 | -581,000 |
| Profit/loss for the year | 0 | 41 | 132,000 | 132,041 |
| **Equity at 30 September 2019** | **151,000** | **132,471** | **132,000** | **415,471** |

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

**Annual report 1 October – 30 September**

| DKK'000 | Note | **2018/2019** | 2017/2018 |
|---|---|---|---|
| Revenue | | 1,821,665 | 2,907,926 |
| Costs and other operating income | | -1,695,426 | -2,297,501 |
| Adjustments | 23 | -19,938 | -426,194 |
| **Cash generated from operating activities before changes in working capital** | | **106,301** | **184,231** |
| | | | |
| Changes in working capital | 24 | 154,276 | -20,874 |
| Financial income and expenses, net | | -265 | -1,174 |
| Corporation tax paid and prior-year adjustments | | -2,054 | -142,508 |
| **Cash flows from operating activities** | | **258,258** | **19,675** |
| | | | |
| Acquisition of property, plant and equipment | | -2,508 | -3,533 |
| Acquisition of intangible assets | | -560 | 0 |
| Disposal of property, plant and equipment | | 9,033 | 61,683 |
| Disposal of activities | | 38,708 | 571,262 |
| **Cash flows from investing activities** | | **44,673** | **629,412** |
| | | | |
| Change in non-current liabilities | | 0 | -63,818 |
| Change in bank debt | | 0 | 0 |
| Distributed dividends | | -581,000 | -137,000 |
| **Cash flows from financing activities** | | **-581,000** | **-200,818** |
| | | | |
| Cash flows from operating, investing and financing activities for the year | | -278,069 | 448,269 |
| Cash and cash equivalents at 1 October | | 490,469 | 42,200 |
| **Cash and cash equivalents at 30 September** | | **212,400** | **490,469** |
| | | | |
| Cash and cash equivalents can be specified as follows: | | | |
| Receivables from group entities (Siemens Financial Services) | | 212,400 | 490,788 |
| Financial debt to group entities | | 0 | -4,945 |
| Other cash funds | | 0 | 4,626 |
| | | **212,400** | **490,469** |

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

# Notes

**Annual report 1 October – 30 September**

**1 - Accounting policies**

The financial statements of Siemens A/S have been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

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

The Company no longer holds equity investments and thus does not prepare consolidated financial statements. The ultimate owner, Siemens AG, prepares consolidated financial statements.

With effect from October 1, 2018, the Company has implemented the following amended standards and interpretations
• IFRS 15, revenue from contracts with customers.

The implementation did not affect the recognition, measurement or information in the annual report and is not expected to have a material impact on the financial reporting for future periods.

The financial statements are presented in Danish kroner (DKK).

### Recognition and measurement

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

Liabilities are recognized 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. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortized cost using the effective interest method. Amortized cost is made up as the original cost less installments, if any, and plus or minus the accumulated amortization of the difference between the cost and the nominal amount.

In recognizing and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account. Income is recognized in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortized cost.

Equally, costs incurred to generate the year's earnings are recognized, including depreciation, amortization, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts that were previously recognized 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. Realized and unrealized exchange gains and losses are recognized 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 realized.

### Derivative financial instruments

On initial recognition, derivative financial instruments are recognized in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables or other payables.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of the fair value of a recognized asset or liability are recognized in the income statement together with value adjustments of the hedged asset or liability.

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

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognized in the income statement on an ongoing basis.

**Annual report 1 October – 30 September**

## Income statement

### Revenue

The company's net sales consist of sales of commercial and finished goods, construction contracts, service contracts and sales of software licenses.

When concluding client contracts, each contract is assessed for compliance with IFRS 15's five steps to asses:

1. Customer contract identification.
2. Identification of purchase obligations.
3. Determining the transaction price.
4. Allocating the transaction price of identified purchase obligations.
5. Recognition of revenue when purchase obligations are met.

The company's customer contracts are divided into individually identifiable purchase obligations that are recognized and measured separately at fair value. Where a sales agreement includes multiple purchase obligations, the total transaction price of the sales agreement is allocated proportionally to the individual purchase obligations of the agreement.

Net sales are recognized when the customer has gained control over the individual identifiable delivery obligation.

Recognized revenue is measured at the fair value of the agreed remuneration, excluding VAT and taxes levied on behalf of a third party. All types of discounts granted are recognized in revenue. The fair value corresponds to the agreed price discounted to present value, where the payment terms exceed 12 months.

The part of the total remuneration that is variable, for example in the form of discounts, bonus payments, penalty payments, etc., is only recognized in revenue when it is reasonably certain that no subsequent reimbursement thereof will occur, for example due to lack of fulfillment.

When selling commercial and finished goods, revenue is recognized when the customer has control over the product. Although a sales contract for the sale of finished goods and merchandise often contains multiple purchase obligations, they are treated as one total delivery obligation, with control typically passing at the same time.

Contracting contracts are recognized over time as the work is carried out, either on the client's property or the project is so adapted to the client's specific needs that it cannot be put into operation by others without relatively high costs, while the customer is obliged to settle on an ongoing basis including a reasonable profit for the work performed.

Recognition is based on input-based inventories based on actual consumed costs according to total projected costs and this is considered to be the best method to reflect the ongoing transfer of control.

When the result of a contract cannot be reliably estimated, revenue is recognized only in accordance with the costs incurred, to the extent that it is considered probable that the costs will be recovered.

Net sales from service contracts where the control is carried out on an ongoing basis are accrued and recognized in the period to which they relate. Prepaid service contracts are recognized as accruals.

Revenue from the sale of software licenses is recognized over time if the customer is granted a right to use the license (right of access). If the customer obtains ownership (right to use) over a license, the revenue is recognized at the time of delivery.

### Production costs

Production costs comprise costs, including depreciation and amortization and salaries, incurred in generating revenue for the year.

### Distribution costs

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

### Other operating expenses

Other operating expenses include accounting items of a secondary nature in relation to the company's main purpose, including losses on the sale of fixed assets and activities.

### 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 on the sale of fixed assets and activities.

### Income from equity investments in subsidiaries

The proportionate share of the results after tax of the individual subsidiaries is recognized in the income statement of the Parent Company after full elimination of intra-group profits/losses.

### Financial income and expenses

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

# Notes

**Annual report 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 administration company in respect of the joint taxation arrangement and accordingly settles all corporation taxes to the tax authorities.

The current Danish corporation tax 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 that have been able to apply the loss to reduce their own taxable income.

Tax for the year comprises current corporation tax, joint taxation contribution and changes in deferred tax for the year due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognized in the income statement, and the tax expense relating to amounts recognized directly in equity is recognized directly in equity.

## Balance sheet

### Intangible assets

#### Goodwill

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

Goodwill is amortized over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. The maximum depreciation period is 15 years, longest for strategically acquired entities with strong market positions and long-term earnings profiles.

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.

### 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 recognized 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 | Lease term |
| Fixtures and fittings, tools and equipment | 3-10 years |

Depreciation is based on the residual value of the asset after the end of the useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognized.

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

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

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

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

**Annual report 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 recognized 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 recognized at this value. In calculating the present value, the discount factor is the interest rate implicit in the lease or an approximation thereof.

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

The capitalized residual lease commitment is recognized in the balance sheet as a liability, and the interest element of the lease payment is recognized in the income statement on an ongoing 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 recognized 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 rental agreements are disclosed under 'Contingencies, etc.'.

### Equity investments in subsidiaries

Equity 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 unrealized 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 Company'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 recognized under 'Provisions' insofar as the parent has a legal or constructive obligation to cover a deficit in the subsidiary.

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

### Impairment of assets

The carrying amount of intangible assets, property, plant, and equipment and equity investments in subsidiaries is tested annually for indication of impairment other than the decrease in value reflected by amortization/depreciation.

Impairment tests are conducted on individual assets or groups of assets when there is an indication of impairment. Write-down is made 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 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 recognized 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 based on a weighted average. Where the net realizable 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 net realizable 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 amortized cost. Write-down is made for expected losses.

# Notes

**Annual report 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 indirect production overheads.

Each construction contract is recognized in the balance sheet under 'Receivables' or 'Payables', depending on whether the net value of the order minus 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

The proposed dividend is recognized as a liability at the date of adoption at the ordinary general meeting (time of declaration). Dividend expected to be distributed for the year is presented as a separate line item in equity.

### Provisions

Provisions comprise expected expenses relating to warranty commitments, losses on construction contracts, reconstruction, etc. Provisions are recognized when the company has a legal or constructive obligation 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 recognized based on experience gained from guarantee work.

### Corporation tax and deferred tax

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

Current tax payables and receivables are recognized in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Joint taxation contributions payable and receivable are recognized 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, deferred tax is not recognized on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognized at the expected value of their utilization; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules applicable at the balance sheet date when the deferred tax is expected to crystallize as current tax. Changes in deferred tax due to changes in the tax rate are recognized in the income statement.

### Liabilities

Financial liabilities are recognized at the date of borrowing at the proceeds received minus transaction costs paid. On subsequent recognition, the financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement over the term of the loan.

Financial liabilities also include the capitalized residual lease commitment in respect of finance leases. Other liabilities are measured at amortized cost.

### Deferred income

Deferred income comprises payments received concerning income in subsequent 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 one year in accordance with a formal plan.

The profit/loss after tax of 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 not restated accordingly. Revenue, costs, 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 main items are specified in the notes.

**Annual report 1 October – 30 September**

### Cash flow statement

The cash flow statement shows the company's net cash flow for the year, broken down by operating, investing and financing activities, and the company'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 the 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 corporate 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.

# Notes

**Annual report 1 October – 30 September**

**2 - Events after the balance sheet date**

As of 1 October 2019, Siemens A/S has demerged its activities in the Gas and Power division to Siemens Energy A/S, which is owned by Siemens International Holding B.V., Den Haag, The Netherlands. The demerger took place as part of a planned listing of Siemens Energy AG.

| DKK'000 | **2018/2019** | 2017/2018 |
|---|---|---|
| **3 - Revenue** | | |
| *Geographic split* | | |
| Sale of goods, national | 2,267,231 | 2,446,167 |
| Sale of goods, international | 241,670 | 461,759 |
| Transferred to profit/loss after tax from discontinued operations | -687,236 | 0 |
| **Total revenue** | **1,821,665** | **2,907,926** |
| | | |
| *Segment information* | | |
| Gas and Power | 0 | 1,015,605 |
| Digital Industries | 925,068 | 905,164 |
| Smart Infrastructure | 893,306 | 970,684 |
| Portfolio companies, other | 3,291 | 16,473 |
| **Total revenue** | **1,821,665** | **2,907,926** |
| | | |
| **4 - Other operating expenses** | | |
| Loss on disposal of fixed assets | 0 | 25,990 |
| **Total other operating expenses** | **0** | **25,990** |
| | | |
| **5 - Other operating income** | | |
| Gain on disposal of fixed assets | 5,502 | 2,196 |
| Gain on disposal of activity | 6,562 | 26,944 |
| Gain on disposal of shares in subsidiaries | 38,708 | 441,746 |
| Gain on disposal of inventories | 0 | 2,258 |
| Rental income | 24,767 | 22,283 |
| **Total other operating income** | **75,539** | **495,427** |
| | | |
| **6 - Financial income** | | |
| Interest receivable, other group entities | 194 | 777 |
| **Total financial income** | **194** | **777** |
| | | |
| **7 - Financial expenses** | | |
| Interest payable, other group entities | 15 | 1 |
| Interest payable, bank debt and securities | 228 | 0 |
| Guarantee commission | 673 | 666 |
| Other interest expenses and warranty commitments | 0 | 1,284 |
| Transferred to profit/loss after tax from discontinued operations | -457 | 0 |
| **Total financial expenses** | **459** | **1,951** |
| | | |
| **8 - Tax on profit from ordinary activities** | | |
| **Tax for the year** | **22,313** | **44,453** |
| *Specified as follows:* | | |
| Tax on the taxable income for the year | 24,287 | 31,371 |
| Prior year adjustment | 3,670 | 409 |
| Adjustment of deferred tax | 2,361 | 12,679 |
| Transferred to profit/loss after tax from discontinued operations | -8,005 | 0 |
| **Total tax for the year** | **22,313** | **44,453** |

**Annual report 1 October – 30 September**

**9 - Discontinued operations**

As of 1 October 2019, Siemens A/S has demerged its activities in the Gas and Power division to Siemens Energy A/S. Siemens Energy A/S is wholly-owned by Siemens International Holding B.V, Den Haag, the Netherlands. The demerger took place as part of a planned listing of the division in Siemens AG, Germany.

The profit/loss after tax from the Gas and Power division is presented as a separate line item in the income statement as profit/loss after tax from discontinued operations and totals DKK 28,380 thousand for 2018/2019.

Comparative figures for 2017/2018 have not been restated to reflect discontinuing operations (Gas and Power).

Profit/loss from discontinued operations is specified in the main items below:

| DKK'000 | 2018/2019 | 2017/2018 |
|---|---|---|
| Revenue | 687,236 | 0 |
| Production costs | -622,418 | 0 |
| Gross profit/loss | 64,818 | 0 |
| Distribution costs | -25,587 | 0 |
| Administrative expenses | -2,389 | 0 |
| Profit before net financials | 36,842 | 0 |
| Financial expenses | -457 | 0 |
| Profit from ordinary activities | 36,385 | 0 |
| Tax on profit from ordinary activities | -8,005 | 0 |
| Profit/loss for the year | 28,380 | 0 |

**Assets and liabilities relating to discontinued operations**

As the transaction had not been closed at the balance sheet date, the assets and liabilities to be demerged are still recognized in the balance sheet as discontinued operations.

| DKK'000 | 2018/2019 | 2017/2018 |
|---|---|---|
| **Assets relating to discontinued operations** | | |
| Fixtures and fittings, tools and equipment | 318 | 0 |
| Inventories | 3 | 0 |
| Trade receivables | 94,660 | 0 |
| Contract work in progress, net | 23,807 | 0 |
| Receivables from group entities | 15,840 | 0 |
| Other receivables | 657 | 0 |
| Prepayments | 93 | 0 |
| Total assets relating to discontinued operations | 135,378 | 0 |
| | | |
| **Liabilities relating to discontinued operations** | | |
| Warranty commitments | 5,847 | 0 |
| Deferred tax | 7,031 | 0 |
| Other provisions | 307 | 0 |
| Prepayments received from customers | 75,181 | 0 |
| Trade payables | 7,885 | 0 |
| Other payables | 35,403 | 0 |
| Prepayments | 2,346 | 0 |
| Total liabilities relating to discontinued operations | 134.000 | 0 |
| | | |
| Total net assets relating to discontinued operations | 1.378 | 0 |

# Notes

**Annual report 1 October – 30 September**

| DKK'000 | Goodwill |
|---|---|
| **10 - Intangible assets** | |
| Cost at 1 October 2018 | 204,079 |
| Additions for the year | 560 |
| Cost at 30 September 2018 | 204,639 |
| | |
| Amortization at 1 October 2019 | -204,079 |
| Depreciation for the year | -80 |
| Amortization at 30 September 2019 | -204,159 |
| | |
| Carrying amount at 30 September 2019 | 480 |
| | |
| Carrying amount at 30 September 2018 | 0 |
| | |
| Amortized over | Maximum 7 years |

| DKK'000 | Land and buildings | Leasehold improvements | Fixtures and fittings, tools and equipment | Total |
|---|---|---|---|---|
| **11 - Property, plant and equipment** | | | | |
| Cost at 1 October 2018 | 47,276 | 32,489 | 30,679 | 110,444 |
| Additions for the year | 0 | 460 | 2,366 | 2,826 |
| Disposals for the year | -19,125 | 0 | 0 | -19,125 |
| Transferred to assets relating to discontinued operations | 0 | 0 | -318 | - 318 |
| Cost at 30 September 2019 | 28,151 | 32,949 | 32,727 | 93,827 |
| | | | | |
| Amortization at 1 October 2018 | -33,988 | -16,078 | -26,272 | -76,338 |
| Depreciation for the year | -1,203 | -3,298 | -2,208 | -6,709 |
| Disposals for the year | 12,825 | 0 | 0 | 12,825 |
| Amortization at 30 September 2019 | -22,366 | -19,376 | -28,480 | -70,222 |
| | | | | |
| Carrying amount at 30 September 2019 | 5,785 | 13,573 | 4,247 | 23,605 |
| | | | | |
| Carrying amount at 30 September 2018 | 13,288 | 16,411 | 4,407 | 34,106 |
| | | | | |
| Amortized over | 25-50 years | Lease term | 3-10 years | |
| | | | | |
| Portion related to assets held under finance leases | 0 | 0 | 0 | 0 |
| Portion related to leased assets | 0 | 0 | 0 | 0 |

**Annual report 1 October – 30 September**

| DKK'000 | **2018/2019** | 2017/2018 |
|---|---|---|
| **12 - Equity investments in subsidiaries** | | |
| Cost at 1 October | 46,470 | 46,470 |
| Disposals for the year | -46,470 | 0 |
| Acquisition cost at 30 September | 0 | 46,470 |
| | | |
| Adjustments at 1 October | -48,949 | -47,964 |
| Profit from ownership interests | 0 | 275 |
| Balance with subsidiary | 0 | -1,260 |
| Disposals for the year | 48,949 | 0 |
| Adjustments at 30 September | 0 | -48,949 |
| | | |
| **Carrying amount at 30 September** | **0** | **-2,479** |
| | | |
| **13 - Other securities** | | |
| Cost at 1 October | 0 | 100 |
| Disposals for the year | 0 | -100 |
| **Carrying amount at 30 September** | **0** | **0** |

| | |
|---|---|
| **14 - Receivables** | |
| Of total receivables, long-term borrowing totals DKK 0 thousand (2017/2018: DKK 0 thousand) | |

| | | |
|---|---|---|
| **15 - Construction contracts, net** | | |
| Construction contracts | 1,186,177 | 1,667,474 |
| Prepayments received from customers | -1,216,435 | -1,673,700 |
| Transferred to liabilities relating to discontinued operations | 51,373 | 0 |
| **Total construction contracts** | **21,115** | **-6,226** |
| | | |
| *Distributed as follows in the balance sheet:* | | |
| Construction contracts, net | 35,479 | 55,883 |
| Prepayments received from customers, net | -14,364 | -62,109 |
| **Total construction contracts** | **21,115** | **-6,226** |
| | | |
| **16 - Deferred tax asset** | | |
| Deferred tax asset at 1 October | 0 | 11,840 |
| Changes in deferred tax for the year | 3,045 | -11,840 |
| **Deferred tax asset at 30 September** | **3,045** | **0** |
| | | |
| The deferred tax asset relates to: | | |
| Intangible assets | 106 | 0 |
| Property, plant and equipment | 15,760 | 0 |
| Current assets | -14,697 | 0 |
| Provisions and liabilities | 1,876 | 0 |
| **Deferred tax asset at 30 September** | **3,045** | **0** |

# Notes

**Annual report 1 October – 30 September**

**17 - Prepayments**

Prepayments comprise costs incurred concerning subsequent financial years.

| DKK'000 | 2018/2019 | 2017/2018 |
|---|---|---|
| **18 - Wranty commitments** | | |
| Warranty commitments at 1 October | 38,950 | 45,269 |
| Used during the year | -3,450 | -2,131 |
| Release of unused warranty commitments | -7,006 | -19,452 |
| Provision for the year | 7,224 | 15,264 |
| Transferred to liabilities relating to discontinued operations | -5,847 | 0 |
| **Warranty commitments at 30 September** | **29,871** | **38,950** |
| | | |
| *Expected maturities for warranty commitments:* | | |
| 0-1 year | 0 | 7,644 |
| 1-5 years | 15,098 | 21,900 |
| > 5 years | 14,773 | 9,406 |
| **Warranty commitments at 30 September** | **29,871** | **38,950** |
| | | |
| **19 - Deferred tax** | | |
| Deferred tax at 1 October | 1,971 | 0 |
| Prior year adjustment | -346 | 1,138 |
| Adjustments of deferred tax in the year | 5,406 | 833 |
| Transferred to liabilities relating to discontinued operations | -7,031 | 0 |
| **Deferred tax at 30 September** | **0** | **1,971** |
| | | |
| *Deferred tax relates to:* | | |
| Intangible assets | 0 | -122 |
| Property, plant and equipment | 0 | -7,083 |
| Current assets | 0 | 20,951 |
| Provisions and liabilities | 0 | -11,775 |
| **Deferred tax at 30 September** | **0** | **1,971** |
| | | |
| **20 - Other provisions** | | |
| Other provisions at 1 October | 14,131 | 15,433 |
| Used during the year | -6,478 | -8,352 |
| Release of unused warranty commitments | -8,981 | -6,613 |
| Provision for the year | 14,062 | 13,663 |
| Transferred to liabilities relating to discontinued operations | -307 | 0 |
| **Other provisions at 30 September** | **12,427** | **14,131** |
| | | |
| *Expected maturities for other provisions:* | | |
| 0-1 year | 3,522 | 12,367 |
| 1-5 years | 7,130 | 289 |
| > 5 years | 1,775 | 1,475 |
| **Other provisions at 30 September** | **12,427** | **14,131** |

**21 - Deferred income**

Deferred income comprises payments received concerning income in subsequent years.

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| DKK'000 | **2018/2019** | 2017/2018 |
|---|---|---|
| **22 - Contingent liabilities** | | |
| Performance bonds vis-à-vis third party | 105,075 | 285,283 |
| Hereof guaranteed by group entity | 88,348 | 103,003 |
| Rent obligations | 94,155 | 131,458 |
| Other lease liabilities | 35,684 | 26,063 |
| The Company is jointly and severally liable with other jointly taxed group entities for payment of corporation 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. | | |
| | | |
| **23 - Cash flow statement – adjustments** | | |
| Depreciation and amortization | 6,789 | 14,681 |
| Gain on the disposal of fixed assets | -2,733 | 23,794 |
| Change in warranty provisions | -3,232 | 4,803 |
| Change in other provisions | -1,397 | -782 |
| Adjustment for gain on disposal of activities and subsidiary shares | -41,187 | -468,690 |
| Adjustments relating to discontinued operations | 21,822 | 0 |
| Cash flow statement – total adjustments | -19,938 | -426,194 |
| | | |
| **24 - Changes in working capital** | | |
| Changes in inventories | 9,408 | -3,482 |
| Changes in receivables | 137,609 | 78,977 |
| Change in trade payables, etc. | 8,854 | -95,869 |
| Adjustments relating to discontinued operations | -1,595 | 0 |
| Total changes in working capital | 154,276 | -20,874 |

# Notes without reference

**Annual report 1 October – 30 September**

| DKK'000 | **2018/2019** | 2017/2018 |
|---|---|---|
| **25 - Staff costs** | | |
| Remuneration of the Company's Supervisory Board | 124 | 660 |
| Remuneration of the Company's Executive Board | 7,493 | 8,006 |
| Wages and salaries, total | 406,625 | 461,025 |
| Pensions | 40,000 | 44,338 |
| Other social security costs | 7,739 | 7,437 |
| Transferred to profit/loss after tax from discontinued operations | -68,451 | 0 |
| Total staff costs | 393,530 | 521,466 |
| | | |
| Average number of employees | 604 | 876 |
| Adjustments relating to discontinued operations | -73 | -171 |
| Total average number of employees | 531 | 705 |
| | | |
| **26 - Fees paid to auditor appointed at the annual general meeting** | | |
| Total fees | 690 | 737 |
| Total fees | 690 | 737 |
| | | |
| *Specified as follows:* | | |
| Fee for statutory audit | 611 | 687 |
| Fee for other assurance assistance | 59 | 30 |
| Fee for non-audit services | 20 | 20 |
| Total fees | 690 | 737 |
| | | |
| **27 - Distribution of profit/loss** | | |
| Proposed distribution of profit/loss | | |
| Proposed dividend | 132,000 | 581,000 |
| Retained earnings | 41 | 603 |
| Profit for the year after tax | 132,041 | 581,603 |

**28 - Use of derivative financial instruments**

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

Recognized transactions

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

| Valuta | Payment/ Maturity | Receivables | Payables | Hedged through forward exchange contracts | Net position |
|---|---|---|---|---|---|
| USD | <1 year | 88 | -51 | 0 | 37 |
| EUR | <1 year | 82,150 | -5,327 | 0 | 76.823 |
| NOK | <1 year | 126 | -188 | 0 | -62 |
| GBP | <1 year | 34 | -83 | 0 | -49 |
| CHF | <1 year | 110 | 0 | 0 | 110 |
| SEK | <1 year | 2 | -318 | 0 | -316 |
| PLN | <1 year | 0 | -9 | 0 | -9 |
| AUD | <1 year | 0 | -73 | 0 | -73 |
| I alt | | 82,510 | -6,049 | 0 | 76,461 |

At 30 September 2019, unrealized net losses on derivative financial instruments entered into for foreign currency hedging purposes totalled DKK 220 thousand, which has been recognized in the income statement.

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**29 - 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.

| DKK'000 | **2018/2019** | 2017/2018 |
|---|---|---|
| Related party transactions | | |
| Acquisition of goods and services from related parties | 1,642,409 | 1,912,506 |
| Sale of goods and services to related parties | 152,473 | 223,398 |

Apart from distribution of dividend, no other transactions were carried out with shareholders during the year.

For information on transactions with the Supervisory Board and the Executive Board, reference is made to the note on staff costs. For information on financial transactions, reference is made to the notes on financial income and financial expenses. Balances with related parties are specified in the balance sheet.

**30 - Permanent establishments**

The Company has a permanent establishment in the UK.

**31 - Pending legal actions**

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

# Personal notes

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