



SIEMENS



# On the way to digitalized future

Annual report 2014, Siemens Osakeyhtiö



[www.siemens.fi](http://www.siemens.fi)

# Contents

## A.

### Siemens Osakeyhtiö

3	A.1	Innovating the electrical world
4	A.2	CEO's review
5	A.3	Report form the Board of Directors

## B.

### Annual report

7	B.1	Profit and loss statement
8	B.2	Balance sheet
10	B.3	Cash flow statement

## C.

### Auditor's report

11	C.1	Auditor's report
----	-----	------------------

Translated and shortened version of the official Finnish annual report.

## || | A.1 Innovating the electrical world

Siemens is a technology company that provides solutions, services and products for electrification, automation and digitalization. The company's technology solutions promote sustainable energy production, smart energy systems, efficient traffic and competitive industry. Siemens' international top innovations and local competence are building the success of our customers, industry and society in Finland, Estonia, Latvia and Lithuania.

Siemens' business in Finland started 160 years ago, when a telegraph line was built from St Petersburg to Turku via Helsinki. In the Baltic countries, our business restarted 20 years ago. Since the very beginning, our technologies have ensured local competitiveness and wellbeing by increasing efficiency, flexibility and pace of many areas of society.

In the future, new business models will be increasingly based on the possibilities of digitalization. Reliable data, analytics know-how, efficient software and seamless compatibility of technologies are the foundation of intelligence. Siemens helps its customers to succeed by turning big data into smart data, which creates value in the areas of market, industry, traffic and buildings.

Siemens Osakeyhtiö has eight business divisions, which are Power and Gas, Wind Power and Renewables, Power Generation Services, Energy Management, Building Technologies, Mobility, Digital Factory and Process Industries and Drives. In addition to Finland, the company also operates in the Baltic countries.

Along with Siemens Osakeyhtiö, Siemens Financial Services AB, Siemens Healthcare and Siemens Healthcare Diagnostics operate in Finland and the Baltic countries.

The turnover of Siemens Osakeyhtiö is approximately 300 million euros and it has more than 580 employees. Siemens' global turnover is approximately 72 billion euros. The corporation has more than 340,000 employees in more than 190 countries.

### **Sustainable solutions for cleaner energy**

Siemens develops solutions for more environmentally friendly energy production. In Finland, the company is a leading supplier of wind power. Efficient production technology for waste-to-energy and multi-fuel power plants are areas in which Siemens is growing in Finland.

### **Digitalization enhances industrial productivity**

Innovative automation technology helps our customers to enhance their efficiency, flexibility and to shorten time to market as well as cut their costs. The entire value chain from product design production and services can be enhanced by utilizing data and digital solutions. If Finland wants to ensure its national competitiveness and wellbeing in the future, industrial productivity must be increased. Increasing the level of digitalization play a key role.

### **Easy life in a smart city**

Utilization of innovative technology saves energy in the cities. The strategic cooperation between Siemens and the City of Turku has helped recognize issues to develop in city planning and introduced new cooperation models. Efficient real estate and traffic solutions and smart grids enhance the competitiveness of cities, facilitate the life of their inhabitants and conserve the environment.

### **Reliable and stable supply of electricity**

We are facing a new electricity age. Reliable and stable electricity infrastructure is critical to our wellbeing, successful business and reaching our environmental goals. The solutions Siemens offers ensure stable, reliable and environmentally friendly electricity transfer and distribution.

### **Driver for electric traffic**

The continuous growth of cities requires smart, efficient and environmentally friendly transportation solutions. Electric rail and road traffic are the keys when developing reliable and sustainable transportation solutions.

## || | A.2 CEO's review

Even in Finland's challenging economic situation, Siemens Osakeyhtiö's orders worth 258 million euros and turnover of 307 million euros remained at the same level as the previous year. Siemens received one of its largest orders in Finland when VR made an order of 80 Vectron electric locomotives.

The company was also successful in sustainable energy and infrastructure solutions. Turun Seudun Energiatuotanto chose Siemens to supply the turbine generator for its new district heating plant in Naantali. Finland's first electricity storage will be installed in the Viikki Ympäristöotalo in Helsinki. A significant energy efficiency project concerning 11 real estates was signed with the City of Lahti. A fire safety solution will be supplied for Länsimetro - the largest order of Siemens Osakeyhtiö of its kind to date.

Enhancing productivity is an important factor in industrial competitiveness. Konecranes placed an order in a new sector, automation and drives solution for ship-to-shore cranes in Oslo harbor. Together with the Finnish Amipak, we supplied Arla's largest dairy in Britain with an automation and drives solution for the packaging process based on the utilization of the TIA portal.

One of the most significant electrification projects of Siemens Osakeyhtiö was completed when Estlink 2, HVDC connection between Finland and Estonia was completed in the spring of 2014. Siemens supplied the project's converter stations as a turnkey solution.

Helsinki metro automation project continued. In January 2015, Helsinki City Transport announced that it will terminate the contracts on metro automation. There are no grounds for cancellation. The process continues in litigation.

The strategic three-year cooperation between the City of Turku and Siemens continued. The second stage consisted of examining the possibilities to decrease carbon dioxide emissions in the future suburbs of Skanssi and Linnakaupunki by utilizing smart technology.

The company's earnings, 22 million euros, improved by 170 percent. The earnings benefited from the cancellation of the provision for Vilna's traffic control system and the enhancement of the company's administration. Operatively, the highest increase was seen in the energy and infrastructure solutions.

Finland's economy is forecast to see only modest growth in the current financial year. Electric traffic projects, the potential in digitalization, service operations, data center projects, sustainable energy solutions and EU funding for developing the infrastructure in the Baltic countries offer interesting possibilities.

Siemens Osakeyhtiö



Janne Öhman  
CEO

### Business Environment

There were significant changes in the business environment during the fiscal year 2014. In the beginning of the fiscal year the expectations in the Finnish economy were positive. The export industry, which is important to the national economy, was forecast to grow. However, due to the growing instability in the surrounding environment the economic growth of Finland will remain negative.

The tense situation between Ukraine and Russia as well as the economic sanctions imposed to Russia will affect the economic situation in Finland and the Baltic countries directly and indirectly. They have also weakened the investment markets in several business areas.

### Business development

Despite the weak economic situation orders received and net sales were on the previous year's level.

Due to strong order backlog net sales increased 1,2 % to 306,5 million Euro (preceding year's figure 302,8 million Euro).

Orders received 258,5 million euro decreased by 0,1 % (preceding year's figure 258,8 million euro).

### Profit development

Operating profit compared to the preceding year decreased by 18,3 % to 12,8 million euro (15,6 million euro).

Result of the fiscal year 2013 was significantly affected by the mandatory cancellation of a reservation regarding the judicial process of Vilnius traffic control system, which ended in favour of Siemens. When this is taken in to consideration, the profitability of the company improved significantly in the ending fiscal year.

### Business risks

The biggest risk to the company's operational result is caused by the Euro zone debt crisis and its indirect effects on the Finnish export industry and the technology industry's recovery speed.

Direct and indirect effects are feared to impact the company's operations in Finland and the Baltic countries due to the significant turmoil caused by the crisis in Ukraine, which has strained the relations between the western countries and Russia as well as Russia imposed economic sanctions.

### Environment

The company has operational principals relating to the environment, health and safety, guidelines and processes, which are based on the principle of continuous improvement, sustainable

development and ethical business practices. The same principles are followed in all countries; Finland, Estonia, Latvia and Lithuania.

Since 2004 the company has the environmental management ISO 14001 certification, which covers all the functions of all offices in four different countries.

The new office of Siemens Osakeyhtiö in Derby Business Park has achieved the Leed Platinum certificate. Derby Business Park has been built with Siemens building technology and energy systems, which promote sustainable development and improve environmental efficiency.

One of our targets is to reduce environmental and climate impacts through innovative technologies. With the innovative products and systems we are able to contribute to climate protection and provide our customers with energy efficient and environmentally friendly solutions.

### Personnel

The number of employees in the company during the fiscal year was 582 (642) on the average.

During the fiscal year the salary and incentive payments amounted to 36 million Euro (45 million Euro).

A significant change in the number of employees during the financial year was caused by the organizational restructuring, particularly in service units.

### Changes in company structure

The company has operations in Finland, Estonia, Latvia and Lithuania. The Baltic markets are mainly served by the local Siemens Osakeyhtiö branch offices.

There were no significant changes in the company's business structure during the fiscal year ending. The sale of Logistics and Airport solutions businesses was not completed according to last fiscal year's plan. The business in Finland and the Baltic countries will be operated by Siemens AG. The business impact on the company's results has been insignificant.

As a result of the global restructuring, the cluster structure was dismantled during the fiscal year 2014 and the company progressed to Lead Country guidance. In the new approach Siemens Osakeyhtiö is a part of the Lead Country Nordic, which includes all Nordic and Baltic countries.

## Corporate Governance and auditors

The members of the Board of Directors during the fiscal year were:

Ulf Troedsson as of 30.1.2014  
Janne Öhman  
Jaana Kupila  
Andreas Lüning until 30.1.2014

Ulf Troedsson (Lead Country Nordic CEO) was nominated Chairman of the Board as of 30.1.2014. At the same date Janne Öhman resigned from his position as Chairman of the Board but remained as a Member of the Board. Simultaneously General Counsel for the Nordic countries, Andreas Lüning, resigned his position as a Member of the Board and was nominated Secretary of the Board.

The auditor of the company was Ms. Eija Niemi-Nikkola, APA and deputy auditor Mr. Ari Lehto, APA from the Ernst & Young Oy.

## Primary events after closing of accounts and outlook for the new fiscal year

The fiscal year 2015 of Siemens Group started globally on unstable grounds, the recession and Ukraine crisis continue. In the beginning of fiscal year 2015 The Group launched global Siemens Vision 2020 program, with the target to ensure growth and improve competitiveness of the whole Siemens Group. The priorities in all Siemens activities are in electrification, automation and digitalisation.

The target of Siemens Osakeyhtiö for the current fiscal year is to ensure profitable growth of the customers. When the customer's business grows, the company is also growing. Deeper understanding of Siemens regarding the operating environment, technology opportunities and data analysis will help the company develop new digitalisation based business opportunities for the customers. Electric traffic projects, opportunities in digitalisation, cooperation with the cities, data center projects, sustainable energy projects as well as EU funding to develop the infrastructure in the Baltic countries are interesting opportunities.

The Finnish economy is forecast to grow moderately or less. Structural reforms are a necessity for economic recovery. The parliamentary elections in Finland in spring 2015 will have a major impact on economic policy.

Lithuania will adopt euro in the beginning of 2015.

During the current fiscal year the Metals Technologies business will be transferred to a joint venture of Siemens and Mitsubishi Heavy Industries.

On December 18, 2014 the Board of Directors of Helsingin kaupungin liikennelaitos (HKL) entitled the CEO of HKL to terminate the contracts of the Helsinki Metro automation with Siemens. After the resolution of the Board of Directors of HKL the Deputy Mayor decided to address the resolution to Helsinki City Board. Siemens has not received any official letter concerning the termination, therefore the project implementation continues as normal.

In case HKL will decide to terminate the supply contracts, the company estimates that it will have no significant impact on the company's financial situation.

## Capital stock and shareholders

The capital stock of the company consists of 1.110.000 shares (1.110.000), of which each share has one vote. The capital stock is totally possessed by Siemens International Holding B.V.

## Proposal by the Board of Directors for disposal of profit

The distributable funds in 2014 are 8 313 633,00 euro.

The Board of Directors proposes a dividend of 8 313 633,00 euro.

There are no significant changes in the company's financial position after the reporting period.

The company's liquidity is good and the proposed dividend does not endanger the company's good financial standing and solvency.

## Key figures (1000 euro)

	2014	2013	2012
Siemens Osakeyhtiö			
Employees average	582	642	682
Salaries and wages	35 966	45 035	42 763
Orders received	258 482	258 788	329 604
Net sales	306 468	302 792	271 683
Operating profit	12 753	15 606	-16 459
Operating profit % on sales	4,2	5,2	-6,1
Return on equity %	38,5	111,7	-132,0
Gearing ratio %	23,8	16,8	5,0

## Calculation key figures:

Return on equity %

net profit/ equity (two years average) \* 100

(net profit does not contain extraordinary items)

Gearing ratio %

equity/ total equity and liabilities \*100

## || | B.1 Profit and loss statement

### | PROFIT AND LOSS STATEMENT

		2014	2013
<b>NET TURNOVER</b>	<b>1)</b>	<b>306 468 016,48</b>	<b>302 791 873,40</b>
Other operating income	3)	136 380,25	227 274,13
Raw materials and services	2)	-226 708 856,15	-218 339 301,22
Staff expenses	4)	-44 705 752,69	-54 503 051,48
Depreciation and deduction in value	5)	-2 551 800,83	-2 134 364,01
Other operating expenses	6)	-19 885 175,24	-12 436 133,11
<b>OPERATING RESULT</b>		<b>12 752 811,82</b>	<b>15 606 297,71</b>
Financial income and expenses	7)	-179 296,53	-269 964,88
<b>RESULT BEFORE EXTRAORDINARY ITEMS</b>		<b>12 573 515,29</b>	<b>15 336 332,83</b>
<b>RESULT BEFORE APPROPRIATIONS AND TAXES</b>		<b>12 573 515,29</b>	<b>15 336 332,83</b>
Appropriations	5)	539 995,06	427 377,64
Income taxes	8)	-2 670 378,71	-693 399,26
<b>RESULT FOR THE FINANCIAL YEAR</b>		<b>10 443 131,64</b>	<b>15 070 311,21</b>

## B.2 Balance sheet

### BALANCE SHEET

ASSETS		2014	2013
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
Intangible rights	9)	2 281 652,03	2 170 627,50
Goodwill	9)	840 080,02	1 760 334,38
Other capitalised longterm expenditure	9)	15 019,56	8 942,07
		3 136 751,61	3 939 903,95
<b>Tangible assets</b>			
Land and waters	9)	264 744,61	264 744,61
Buildings	9)	312 935,98	327 618,34
Machinery and equipment	9)	1 453 040,09	607 269,35
Other tangible assets	9)	60 883,94	60 883,94
		2 091 604,62	1 260 516,24
<b>Assets under construction</b>	9)	0,00	1 465 097,45
<b>Investments</b>			
Other shares and similar rights of ownership	10)	9 390,17	9 390,17
		9 390,17	9 390,17
<b>NON-CURRENT ASSETS TOTAL</b>		<b>5 237 746,40</b>	<b>6 674 907,81</b>
<b>CURRENT ASSETS</b>			
<b>Stocks</b>	11)	41 808 130,37	44 648 223,80
<b>Debtors</b>			
Longterm debtors			
Loan receivables	12)	1 000,00	1 000,00
Trade debtors	12)	2 507 972,36	0,00
		2 508 972,36	1 000,00
Shortterm debtors			
Trade debtors	12)	37 748 621,24	47 887 988,95
Amounts owed by group undertakings	12)	36 990 311,86	18 733 914,11
Loan receivables	12)	3 203,98	3 203,98
Other debtors	12)	4 735 443,57	2 355 730,18
Prepayments and accrued income	12)	1 244 989,42	1 498 364,09
		80 722 570,07	70 479 201,31
<b>Debtors total</b>		<b>83 231 542,43</b>	<b>70 480 201,31</b>
<b>Cash in hand and at banks</b>		<b>1 733 393,24</b>	<b>3 202 799,71</b>
<b>CURRENT ASSETS TOTAL</b>		<b>126 773 066,04</b>	<b>118 331 224,82</b>
<b>ASSETS</b>		<b>132 010 812,44</b>	<b>125 006 132,63</b>



| **BALANCE SHEET**

EQUITY AND LIABILITIES		2014	2013
<b>CAPITAL AND RESERVES</b>			
Subscribed capital	13)	18 870 000,00	18 870 000,00
Share premium account	13)	4 234 971,99	4 234 971,99
Retained earnings	13)	-2 129 498,20	-17 199 809,41
Result for the financial year	13)	10 443 131,64	15 070 311,21
<b>CAPITAL AND RESERVES TOTAL</b>		<b>31 418 605,43</b>	<b>20 975 473,79</b>
<b>APPROPRIATIONS</b>			
Cumulative accelerated depreciation	14)	0,00	539 995,06
<b>PROVISIONS</b>			
Provisions for pensions	15)	104 075,16	135 671,34
Other provisions	15)	20 134 690,28	20 411 643,84
		20 238 765,44	20 547 315,18
<b>CREDITORS</b>			
<b>Shortterm creditors</b>			
Trade creditors	16)	48 220 536,17	53 509 416,58
Amounts owed to group undertakings	16)	7 146 010,92	833 509,12
Other creditors	16)	11 601 701,29	<b>13 492 081,44</b>
Accruals and deferred income	16)	13 385 193,19	15 108 341,46
		80 353 441,57	82 943 348,60
<b>CREDITORS TOTAL</b>		<b>80 353 441,57</b>	<b>82 943 348,60</b>
<b>EQUITY AND RESERVES TOTAL</b>		<b>132 010 812,44</b>	<b>125 006 132,63</b>

## || | B.3 Cash flow statement

### | Cash flow Statement

	2014	2013
<b>Cash flow from operating activities</b>		
Operating income	12 752 811,82	15 606 297,71
Adjustments		
Planned depreciation	2 551 800,83	2 134 364,01
Other income and expenses with no related payment	-308 549,74	-17 917 396,16
Other adjustmenst	-1 002,32	177 868,99
Cash flow before working capital changes	14 995 060,59	1 134,55
<b>Change in working capital</b>		
Change in current non-interest bearing receivables	7 542 511,98	-12 633 900,98
Change in longterm non-interest bearing receivables	-2 507 972,36	2 492 248,99
Change in current assets	2 840 093,43	-5 809 660,26
Change in current non-interest bearing liabilities	-4 217 520,89	10 105 924,89
Change in longterm non-interest bearing liabilities	0,00	-111 777,27
Cash flow from operating activities before financial items and taxes	3 657 112,16	-5 957 164,63
Interests and other financial expenses	-456 048,07	-606 939,99
Dividends from operations	0,00	3 892,20
Interests from operations	276 751,54	333 082,91
Income taxes paid	-422 275,68	-617 892,38
<b>Cash flow from operations</b>	18 050 600,54	-6 843 887,34
<b>Cash flow from investments</b>		
Investments in tangible and intangible assets	-1 139 390,26	-1 985 270,07
Retirement of tangible and intangible assets	25 753,13	176 275,85
Repayment of loans	-18 256 397,75	9 955 805,00
<b>Cash flow from investments</b>	-19 370 034,88	8 146 810,78
<b>Cash flow from financing activities</b>		
Repayments of shortterm loans	-149 972,13	-43 435,80
<b>Cash flow from financing activities</b>	-149 972,13	-43 435,80
<b>Change in cash and cast equivalents</b>	-1 469 406,47	1 259 487,64
Cash and cash equivalents at beginning of period	3 202 799,71	1 943 312,07
Cash and cash equivalents at end of period	1 733 393,24	3 202 799,71



Ernst & Young Oy  
Alvar Aallon katu 5 C  
00100 Helsinki  
Finland

Puhelin 0207 280 190  
www.ey.com/fin  
Y-tunnus 2204039-6,  
kotipaikka Helsinki

### Auditor's report

(Translation)

To the Annual General Meeting of Siemens Osakeyhtiö

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Siemens Osakeyhtiö for the financial year October 1, 2013 – September 30, 2014. The financial statements comprise the balance sheet, the income statement, the cash flow statement and notes to the financial statements.

#### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

#### Opinion

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, January 14, 2015

Ernst & Young Oy  
Authorized Public Accountant Firm

EIJA NIEMI-NIKKOLA  
Eija Niemi-Nikkola  
Authorized Public Accountant

A member firm of Ernst & Young Global Limited

