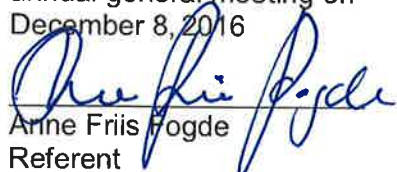


Siemens Industry Software A/S

Annual Report 2015/2016
CVR No. 31 25 70 77

Presented and adopted at the
annual general meeting on
December 8, 2016


Anne Friis Fogde
Referent

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Statements

Statement by Management on the annual report

Today, Management has discussed and approved the annual report of Siemens Industry Software A/S.

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

We consider the accounting policies applied appropriate and the accounting estimates made reasonable and believe that the annual report contains the information that is required to assess the Company's financial position. In our opinion, the financial statements give a true and fair view of the Company's financial position at 30 September 2016 and of the results of its operations for the financial year 1 October 2015 - 30 September 2016.

In our opinion, the Management's review includes a fair review of the development in the Company's activities, results of operations and financial position. We also believe that the Management's review fairly describes the main risks and uncertainties facing the Company.

Ballerup, December 8, 2016

Executive board:


Mats Friberg (CEO)


Peter Eugen Damm (CFO)

Supervisory board:


Bjarne Lykke Sørensen
Chairman


Mats Friberg


Keld Wejse Svarrer

Statements

Independent auditors' report

To the shareholder in Siemens Industry Software A/S

We have audited the financial statements of Siemens Industry Software A/S for the financial year 1 October – 30 September 2016, which comprise income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the annual report

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statement Act and 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.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements 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.

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

Our audit has not resulted in any qualification.

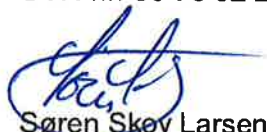
Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30 September 2016 and of the results of the Company's operations for the financial year 1 October 2015 – 30 September 2016 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, December 8, 2016
Ernst & Young
Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28



Søren Skov Larsen
State Authorised Public Accountant

Annual Report 1 October 2015 – 30 September 2016

Company details

Siemens Industry Software A/S
Borupvang 9
DK-2750 Ballerup
CVR No.: 31 25 70 77
Incorporated: 01.02.2008
Domicile: Ballerup

Supervisory board

Bjarne Lykke Sørensen (Chairman)
Mats Friberg
Keld Wejse Svarrer

Executive board

Mats Friberg
Peter Eugen Damm

Auditors

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

Annual Report 1 October 2015 – 30 September 2016

Management's review

Business review

Revenue for 2015/2016 came in at DKK 107,297 thousand, from DKK 100,987 thousand last year. A lower revenue level is expected for 2016/2017.

The profit from ordinary activities for 2015/2016 amounted to DKK 3,175 thousand, down from DKK 3,263 thousand on the year before and in line with the expectations expressed in the annual report for 2014/2015.

No dividend is expected to be distributed.

The profit for the year is considered satisfactory.

Business activities

The Company's main activities are sales and marketing of state-of-the-art application programs and services within the areas of Product Lifecycle Management (PLM) and Plant Engineering (COMOS).

Balance sheet

The balance sheet total of DKK 15,797 thousand was up by DKK 1,839 thousand relative to last year (DKK 13,958 thousand), primarily reflecting from a lower goodwill and an increase in receivables from group entities.

The new financial year

The Company expects profits from ordinary activities for 2016/2017 to be lower compared to 2015/2016.

Subsequent events

No such significant events have occurred after the financial years-end as could affect the financial statements for 2015/2016.

Going Concern

The Company's equity is negative and is expected to be restored through earnings over the coming years. In line with previous years, the Company has received confirmation that Siemens' bank (Siemens Financial Services), will provide the liquidity required to finance next year's operations.

Annual Report 1 October 2015 – 30 September 2016

Income statement

DKK '000

Note

| | | <u>2015/2016</u> | <u>2014/2015</u> |
|---|---|------------------|------------------|
| Revenue | 2 | 107.297 | 100.987 |
| Production costs | | -79.204 | -69.213 |
| Gross margin | | <u>28.093</u> | <u>31.774</u> |
| Selling expenses | | -24.067 | -25.475 |
| Administrative expenses | | -816 | -3.013 |
| Operating profit/loss | | <u>3.210</u> | <u>3.286</u> |
| Financial incomes | 3 | 0 | 3 |
| Financial expenses | 4 | -35 | -26 |
| Profit/loss from ordinary activities | | <u>3.175</u> | <u>3.263</u> |
| Tax on profit/loss from ordinary | 5 | -1.733 | -1.950 |
| Profit/loss for the year | | <u>1.442</u> | <u>1.313</u> |
| Recommended appropriation of profit | | | |
| Retained earnings/accumulated loss | | 1.442 | 1.313 |
| | | <u>1.442</u> | <u>1.313</u> |

Annual Report 1 October 2015 – 30 September 2016

Balance sheet

DKK '000

Assets

Fixed assets

Intangible assets

Goodwill

Note 2015/2016 2014/2015

| | | |
|---|----------|--------------|
| 6 | <u>0</u> | <u>4.588</u> |
| | <u>0</u> | <u>4.588</u> |

Property, plant and equipment

Plant and machinery

| | | |
|---|------------|-----------|
| 7 | <u>103</u> | <u>86</u> |
| | <u>103</u> | <u>86</u> |

Total fixed assets

| | |
|------------|--------------|
| <u>103</u> | <u>4.674</u> |
|------------|--------------|

Current assets

Receivables

Trade receivables

| | |
|-------|-------|
| 5.094 | 4.518 |
|-------|-------|

Work in progress for third parties

| | |
|-----|-----|
| 652 | 885 |
|-----|-----|

Receivables from group entities

| | |
|-------|-------|
| 9.850 | 3.757 |
|-------|-------|

Deferred tax asset

| | | |
|---|----|-----|
| 8 | 96 | 109 |
|---|----|-----|

Prepayments

| | | |
|---|---|----|
| 9 | 2 | 15 |
|---|---|----|

Total receivables

| | |
|---------------|--------------|
| <u>15.694</u> | <u>9.284</u> |
|---------------|--------------|

Cash

| | |
|----------|----------|
| <u>0</u> | <u>0</u> |
|----------|----------|

Total current assets

| | |
|---------------|--------------|
| <u>15.694</u> | <u>9.284</u> |
|---------------|--------------|

Total assets

| | |
|---------------|---------------|
| <u>15.797</u> | <u>13.958</u> |
|---------------|---------------|

Annual Report 1 October 2015 – 30 September 2016

Balance sheet

DKK '000

Equity and liabilities

Equity

Share capital

Retained earnings/accumulated loss

Total equity

| Note | 2015/2016 | 2014/2015 |
|------|---------------|---------------|
| | 500 | 500 |
| | -2.904 | -4.346 |
| | <u>-2.404</u> | <u>-3.846</u> |

Liabilities

Short-term liabilities

Financial payables to group entities

Trade payables

Other payables

Deferred income

Total short-term liabilities

| | | |
|----|---------------|---------------|
| | 4.960 | 3.158 |
| | 2.369 | 1.484 |
| | 6.711 | 8.011 |
| 10 | <u>4.161</u> | <u>5.151</u> |
| | <u>18.201</u> | <u>17.804</u> |

Total liabilities

| | |
|---------------|---------------|
| <u>18.201</u> | <u>17.804</u> |
|---------------|---------------|

Total equity and liabilities

| | |
|---------------|---------------|
| <u>15.797</u> | <u>13.958</u> |
|---------------|---------------|

Notes not referred to

11 - 15

Annual Report 1 October 2015 – 30 September 2016

Statement of changes in equity

| Equity | Share capital | Retained earnings/ accumulated loss | Total |
|--|---------------|--|---------------|
| Equity at 1 October 2014 | 500 | -5.659 | -5.159 |
| Proposal for distribution of profit for the year | 0 | 1.313 | 1.313 |
| Equity at 30 September 2015 | 500 | -4.346 | -3.846 |
| Proposal for distribution of profit for the year | 0 | 1.442 | 1.442 |
| Equity at 30 September 2016 | 500 | -2.904 | -2.404 |

The Company's share capital is DKK 500,000, divided into shares of DKK 1 each. The share capital has not changed the past 5 years.

The Company's equity is negative and is expected to be restored through earnings over the coming years. In line with previous years, the Company has received confirmation that Siemens' bank (Siemens Financial Services), will provide the liquidity required to finance next year's operations.

Annual Report 1 October 2015 – 30 September 2016

Notes

1 – Accounting Policies

The annual report of Siemens Industry Software A/S has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B entities.

The accounting policies are consistent with those applied last year.

Basis of recognition and measurement

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

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

Certain financial assets and liabilities are measured at amortised cost¹ using the effective interest method. Amortised cost is made up as the historic cost less installments, if any, and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

In connection with recognition and measurement, allowance is made for gains, losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Currency translation

Receivables, payables and other monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date.

Annual Report 1 October 2015 – 30 September 2016

Notes (continued)

Income statement

Revenue

Revenue from service and maintenance is recognized as revenue with reference to the stage of completion.

Income from the sale of goods for resale, finished goods and comprised Software are recognized in the income statement, provided that delivery and invoicing have taken place before the year-end and provided that the income can be measured reliably and is expected to be received.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Production costs

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

Selling expenses

Selling expenses comprise expenses related to the sale of goods and sales campaigns, etc., in the year. Expenses related to sales staff, advertising and exhibitions and amortization/depreciation charges are recognised in selling expenses as well.

Administrative expenses

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

Financial income and expenses

Financial income and expenses comprise interest income and expenses, receivables as well as surcharges and allowances under the tax prepayment scheme, etc.

Annual Report 1 October 2015 – 30 September 2016

Notes (continued)

Tax for the year

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

The parent company, Siemens A/S, acts as management company for all jointly taxed entities and, in its capacity as such, pays all income taxes to the Danish tax authorities.

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

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

Annual Report 1 October 2015 – 30 September 2016

Notes(continued)

Balance sheet

Intangible assets

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

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

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

Property, plant and equipment

Plant and machinery are measured at cost less accumulated depreciation and impairment charges.

The cost comprises the purchase price and any costs directly attributable to the acquisition until such time when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages. Borrowing costs are not recognised in the cost.

Depreciation is provided on a straight-line basis over the expected useful life of the assets.

The depreciation periods are:

Plant and machinery 3 years.

Depreciation is recognised in the income statement under 'Production costs', 'Selling expenses' and 'Administrative expenses', respectively.

The carrying amount of impaired property, plant and equipment is reduced to the recoverable amount.

Leases

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

Annual Report 1 October 2015 – 30 September 2016

Notes (continued)

Receivables

Receivables are measured at amortised cost. A provision is made for impairment losses.

Work in progress for third parties

Ongoing service supplies and work in progress for third parties are measured at the market value of the work performed less advances received.

The market value is calculated on the basis of the percentage of completion at the balance sheet date and the total expected income from the relevant contract.

The percentage of completion is made up based on costs incurred relative to the expected, total expenses on each individual work in progress.

Where the outcome of contract work in progress cannot be made up reliably, the market value is measured at the costs incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under 'Provisions' and is expensed in the income statement.

The value of each contract in progress less prepayments is classified as assets when the market value exceeds prepayments and as liabilities when prepayments exceeds the market value.

Prepayments

Prepayments include expenses incurred relating to subsequent financial years.

Equity

Dividend proposed for the year is recognised as a liability at the date it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is shown as a separate item in equity.

Annual Report 1 October 2015 – 30 September 2016

Notes (continued)

Income tax and deferred tax

The Company is jointly taxed with its parent company, Siemens A/S, which acts as management company, as well as with all other Danish group entities.

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

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. Where alternative tax rules can be applied to determine the tax base, for instance in connection with shares, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which they are expected to be realised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates which will, given the legislation in force at the balance sheet date, apply once the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in tax rates are recognised in the income statement.

Liabilities

Other liabilities are measured at amortised cost.

Deferred income

Deferred income comprises payments received concerning income in subsequent reporting years.

Annual Report 1 October 2015 – 30 September 2016

Notes (continued)

DKK '000

2 - Revenue

| | 2015/2016 | 2014/2015 |
|--|----------------|----------------|
| Sales of goods and services, domestic | 84.624 | 50.867 |
| Sales of goods and services, international | 22.673 | 50.120 |
| | <u>107.297</u> | <u>100.987</u> |

3 - Financial income

| | | |
|--|----------|----------|
| Interest payable, intra-group balances | 0 | 3 |
| | <u>0</u> | <u>3</u> |

4 - Financial expenses

| | | |
|--|-----------|-----------|
| Interest payable, intra-group balances | 35 | 26 |
| | <u>35</u> | <u>26</u> |

5 - Tax on profit/loss from ordinary activities

| | | |
|------------------|--------------|--------------|
| Tax for the year | <u>1.733</u> | <u>1.950</u> |
|------------------|--------------|--------------|

distributed as follows:

| | | |
|---|--------------|--------------|
| Tax on income subject to joint taxation | 1.708 | 1.971 |
| Adjustment of deferred tax | 15 | -14 |
| Prior-year adjustment | 10 | -7 |
| | <u>1.733</u> | <u>1.950</u> |

Annual Report 1 October 2015 – 30 September 2016

Notes (continued)

DKK '000

6 – Intangible assets

| | |
|---|----------------|
| | Goodwill |
| Cost at 1 October 2015 | 34.733 |
| Cost at 30 September 2016 | 34.733 |
| Amortisation at 1 October 2015 | -30.145 |
| Amortisation in the year | -4.588 |
| Amortisation at 30 September 2016 | -34.733 |
| Carrying amount at 30 September 2016 | 0 |
| Carrying amount at 30 September 2015 | 4.588 |

7 – Property, plant and equipment

| | |
|---|-----------------------|
| | (Plant and machinery) |
| Cost at 1 October 2015 | 456 |
| Additions in the year | 73 |
| Cost at 30 September 2016 | 529 |
| Depreciation at 1 October 2015 | -370 |
| Depreciation in the year | -56 |
| Depreciation at 30 September 2016 | -426 |
| Carrying amount at 30 September 2016 | 103 |
| Carrying amount at 30 September 2015 | 86 |

Annual Report 1 October 2015 – 30 September 2016

Notes(continued)

DKK' 000

8 - Deferred tax

| | 2015/2016 | 2014/2015 |
|--------------------------------------|-----------|------------|
| Deferred tax at 1 October | 109 | 90 |
| Prior-year adjustment | 2 | 5 |
| Deferred tax adjustments in the year | -15 | 14 |
| Deferred tax at 30 September | 96 | 109 |

The deferred tax asset relates to the following:

| | | |
|-------------------------------|-----------|------------|
| Property, plant and equipment | 85 | 104 |
| Current assets | 0 | -3 |
| Provisions | 6 | 6 |
| Liabilities | 5 | 2 |
| | 96 | 109 |

9 – Prepayments

Prepayments, totalling DKK 2 thousand (2014/2015: 15 thousand), comprise expenses incurred relating to subsequent financial years.

10 – Deferred income

Deferred income, totaling DKK 4,161 thousand (2014/2015: 5,151 thousand), comprises payments received concerning income in subsequent reporting years.

Annual Report 1 October 2015 – 30 September 2016

Notes not referred to

DKK'000

11 – Staff costs

| | 2015/2016 | 2014/2015 |
|-----------------------------|---------------|---------------|
| Wages and salaries | 24.629 | 26.445 |
| Pensions | 2.127 | 2.329 |
| Social security costs | -75 | 242 |
| | 26.681 | 29.016 |
| Average number of employees | 30 | 34 |

12 – Contingent liabilities

| | | |
|------------------|-------|-------|
| Rent obligations | 1.892 | 2.684 |
| Operating leases | 1.861 | 1.899 |
| Guarantees | 82 | 78 |

The Company is jointly and severally liable, together with the other jointly taxed group entities, for the payment of corporate income taxes for income years after 2013 and withholding taxes falling due on or after 1 July 2012 within the group of jointly taxed entities.

13 – Related parties

The Company's related parties include members of the supervisory and executive boards, executive officers and their family members. Related parties also include entities in the Siemens AG Group.

14 - Ownership

The Company's ultimate parent company is Siemens AG, Wittelbacherplatz 2, Munich, Germany. The consolidated financial statements of Siemens AG are obtainable upon request. The parent company of Siemens Industry Software A/S is Siemens A/S, Borupvang 9, 2750 Ballerup.

15 – Pending legal actions

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