



**SIEMENS**

**Siemens in Norway 2003**  
Annual Report



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## ■ Our vision

We aim to be a leading group in our main industries, known for quality, innovation and profitability, and as a serious contributor to the well-being of the environment and society.

We want to be viewed by our customers and suppliers as the company that:

- Is the best partner
- Has the best products, systems and service
- Is the most innovative company

We want to be viewed by our employees as a company that:

- Is progressive and profitable
- Offers personal advancement opportunities
- Rewards initiative, ability to get things done and results

We want to be viewed by our owner, Siemens AG, as a subsidiary that:

- Is an important factor in the Group's performance
- Posts healthy profits
- Follows agreed plans

We want to be viewed by the people of Norway as a company that:

- Is good to and develops its employees
- Is a sound and profitable enterprise
- Is conscious of its environmental and social responsibilities

**Five basic values underpin all our actions. We are:**

- Customer-oriented
- Profit-oriented
- Innovative
- Humane
- Committed corporate citizens



## Key Figures Siemens AS\*

<i>In millions of NOK</i>	2003	2002	2001
New orders	5.301	3.611	4.371
Export	443	500	405
Turnover	3.530	3.770	3.907
Operating income	3.619	3.828	3.918
Operating profit	133	128	-112
Operating profit before taxes	165	121	-104
Annual result	119	87	-39
Investments	13	57	73
Equity capital	312	324	426
Total assets	1.647	1.902	2.002
Number of employees	2.038	2.201	2.354

\*Fiscal year: 01.10.02 - 30.09.03



## ■ Siemens AS in Norway as of 01.01.2004

### **The Board of Directors**

Trygve Refvem, formann  
 Günter Gösmann  
 Grete Holter  
 Arild Ingierd  
 Edward G. Krubasik  
 Roy Lund  
 Hans Lødrup  
 Peter Mellbye  
 Svein Thorgersen  
 Iver Wake

### **Corporate Executive Committee**

Hans Lødrup, CEO  
 Per Otto Dyb  
 Kjell Pettersen

### **Corporate Center**

Corporate Accounting and Controlling,  
 Franz Kiener

Corporate Account Management,  
 Magnar Uv

Corporate Audit,  
 Jostein Grytbakk

Corporate Communications,  
 Stein Bjørnbekk (acting)

Corporate Financial Solutions,  
 Thor Barkvoll

Corporate Information and Operations,  
 Henning Denstad

Corporate Procurement and Logistics,  
 Trond Johannessen

Corporate Strategy and Development,  
 Frank Jaegtnes

Human Resource Management,  
 Kåre Ytre-Eide

Business administration,  
 Britt Marcus

### **Divisions**

Automation & Drives (A&D),  
 Ove Guttormsen

Electrical Installations (EI),  
 Olav Rygvold

Energy & Automation (E&A),  
 Frank Almaas

IC Mobile Devices (IC MD),  
 Rune Tufte

IC Mobile Networks (IC MN),  
 Per Arne Henæs

IC Networks (IC N),  
 Arne Besseberg

Medical Solutions (MED),  
 Ole Per Måløy

Oil and Gas, Domestic (OG D),  
 Jomar Thy

Oil and Gas, International (OG INT),  
 Are D. Dahl

Transportation Systems (TS),  
 Leif Karlsen

Siemens Real Estate (SRE),  
 Aage Tangen

### **Scandinavian/Nordic organisation under Norwegian management**

Corporate Information and Operations,  
 Henning Denstad

IC Mobile Networks,  
 Per Arne Henæs

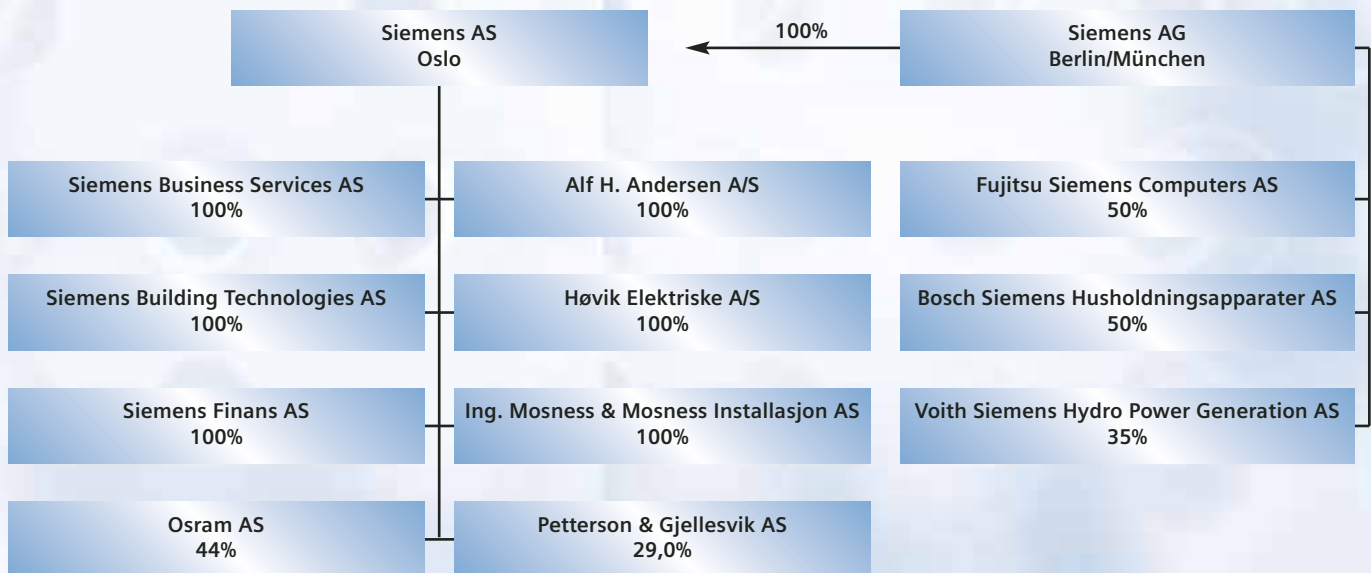
Scandinavian Purchasing Organisation,  
 Trond Johannessen

### **Auditor**

KPMG AS



Siemens Group in Norway as of 01.01.2004





### ■ Good results and many new contracts

Thanks to systematic improvement measures, Siemens has achieved good results in a number of areas in the fiscal 2003. The Electrical Installations Division notched up solid results in a difficult market with a low level of activity and the IC Mobile Devices Division consolidated its position in both cordless and mobile phones. The Medical Solutions Division has made a considerable contribution, and our industrial unit, the Energy & Automation Division, was the biggest contributor to the year's profitability.

We have signed a number of contracts that have given us a very good order reserve. Among the biggest was the Transportation Systems Divisions commission to replace the metro cars of Oslo Sporveier and the Division IC Mobile Networks Divisions agreement to develop and supply a new train radio system (GSM R) to the Norwegian National Rail Administration. Another major contract was landed immediately after the end of the business year: the upgrading of the security equipment on Oseberg Field Centre now being done by the Oil and Gas Division, Domestic.

The year's good result is an effect of several years' hard and consistent work. In the last few years we have undergone important and necessary turn-around operations in several business areas. We have also determinedly completed our three-year Eight-Point Programme of rationalisation and improvement measures, with good results. Existing and new improvement projects are being continued with top+, Siemens' international programme to achieve Business Excellence.

The markets in which we are now working are showing few or no signs of growth to begin with, but we are fortunately seeing some positive exceptions in the public sector, health and transportation to name a couple of examples.

For the fiscal 2004, further growth will occur through the winning of market share without this being at the expense of profitability. We will follow up the good trend from preceding business years with our Scandinavian collaboration to rationalise operations and increase turnover, and through our internal improvement programs in top+.

The profit for the year is, as mentioned earlier, highly satisfactory, and I would like to praise my colleagues in Siemens for all the hard work they have put in. In addition I would like to use the opportunity to bow out; after 34 exciting and rewarding years in Siemens, of which the last 11 as Group Chief Executive in Norway, from 1 April 2004 I will be handing over the controls to Per Otto Dyb – to whom I would now like to convey my best wishes for the future.

Oslo, December 2003  
Hans Lødrup, CEO



## Report of the Board of Directors

Siemens AS is a subsidiary of the German group Siemens AG. The Siemens Group in Norway consists of Siemens AS, wholly and partly owned subsidiaries of Siemens AS, and companies in which Siemens AG has direct owner interests. In all, the Siemens Group in Norway accounts for a turnover of NOK 7.1 billion and has 3,500 employees.

Siemens AS' head office is in Oslo, but the company also has major units in Trondheim and Bergen. As of 30 September 2003 the company was represented in 18 locations in Norway, with operations in sales, development, engineering, production, fitting and service.

Siemens AS makes use of Section 3-7 of the (Norwegian) Accounting Act regarding exemption from the consolidated accounts obligation for parent companies in sub-groups and consequently does not prepare its own consolidated accounts. For these, see the annual report for Siemens AG.

Siemens AS has a non-standard accounting year: The 2003 financial year runs from 1 October 2002 to 30 September 2003.

### Profit performance

The economic operating conditions in Norway during the 2003 financial year were characterised by a sharp reduction in interest rates. The approximate harmonisation with the European interest level contributed to a significant weakening of the Norwegian krone. This represents important changes with positive effects on the competitiveness of Norwegian business and industry. During the past year, however, factors such as higher

unemployment and generally weak economic performance in Norway and abroad have had a greater influence on the short-term trend in several of our main markets.

Despite a limited pull from the market, Siemens AS can point to a positive profit performance in which the company has confirmed and strengthened its position. Siemens AS is posting an after-tax profit of NOK 119 million, as against NOK 87 million the previous financial year. Operating profit came to NOK 133 million, as against NOK 128 million in the 2002 financial year. The company's turnover in 2003 was NOK 3,530 million.

The positive result for the year is attributed to a number of factors. The common denominator has been systematic work on Siemens AS' own eight-point programme and the Siemens Group's worldwide improvement programme called top+. In combination with Siemens' financial strength, global network and comprehensive solutions this has yielded results in several key areas.

Several business units can show positive profit performance this past year. The Electrical Installations Division delivered a solid result in a difficult market where competitors are struggling to achieve satisfactory earnings. The IC Mobile Devices Division consolidated its strong market position in wireless telephones and mobile telephony. Through determined efforts aimed at private and public sector customers, the Medical Solutions Division delivered a significant contribution to profits. Adaptation to changing market conditions and opportunities is an ongoing process. The profit





performance in business areas such as industrial automation, energy supply and telecommunications confirms that the sweeping restructuring processes of recent years have been necessary and right. Other operations in the company enjoy a strong market position in their respective markets and are presenting healthy results.

Important focus areas such as financial management, optimisation of the business portfolio and utilisation of property holdings continued from the 2002 to the 2003 financial year. The most important measures were the sale of the two subsidiaries, Siemens Electrical Heating AS and Siemens Teknologitviking AS, as well as the sale of part of Siemens AS' property at Sluppen in Trondheim.

The following organisational changes went into effect at the start of the 2003 financial year: The Industrial and Marine Division was merged with the Power Transmission and Distribution Division to form the new Energy & Automation Division. At the same time, the Oil and Gas Division was split in two, with one division focused on the Norwegian market, (Oil and Gas Division, Domestic) and one responsible for the markets beyond Norway's borders (Oil and Gas Division, International). In addition, the Information and Communications Division was divided into one division for fixed-line networks (IC Networks Division) and one division for mobile networks (IC Mobile Networks Division). From the same time both divisions became part of a Scandinavian organisational structure.

In consequence of its international operations, the company has foreign currency risk related to both

future cash flow and balance sheet money items. In keeping with internal guidelines for handling currency risk, it is now controlled through systematic use of forward contracts and currency options.

The annual accounts have been prepared on the going-concern principle and in the Board's opinion provide a satisfactory description of the company's position at 30 September 2003. The Board expresses its satisfaction with the targets and results achieved in the course of the year and would like to thank all the employees for their work and commitment.

**Allocation of the profit for the year**

In the 2003 financial year Siemens AS posted a profit for the year of NOK 119 million. The Board proposes the following allocations (in NOK million):

Allocated to dividend	131
Transferred from other reserves	12
Profit for the year	119

**Financial situation**

In 2003, Siemens AS purchased the shares of Siemens Building Technologies AS for NOK 23 million. Investments in fixed assets amounted to NOK 13 million, a reduction of NOK 44 million from 2002.

The balance sheet total of NOK 1,647 million was down NOK 255 million compared with the previous year and is related to capital-reducing measures and sales of operations and property.



Equity at 30 September 2003 was 19 per cent of total assets, an increase of two percentage points from the previous year. The company's distributable reserves amounted to NOK 118 million as of 30 September 2003.

The result for the financial year and savings realised on the capital side are reflected in the positive trend in cash flow.

### Personnel and organisation

At 30 September 2003, Siemens AS had 2,038 employees, of which 135 are apprentices. This is a reduction of 163 employees compared with the same time last year. The reduction is due to downsizing in consequence of market adaptation and outsourcing of support functions. The percentage of women employees declined two percentage points over the past year and now totals 13 per cent.

One of the company's objectives is to increase the proportion of women in key and management positions. Finance is a specialist area that has a good track record in this respect. At the beginning of the 2004 financial year the chief financial officer of five of the company's 11 divisions is a woman. The company also has a woman on its board.

Per Otto Dyb is appointed new CEO of Siemens AS and spokesperson for Siemens in Norway from 01.04.04. Hans Lødrup will retire from The Managing Board, and will assume the position as Chairman of The Board of Directors of Siemens AS from the same date. The Board thanks Hans Lødrup for his great contribution over the course of a long career in Siemens.

### Health, Safety and Working Environment (HSE)

In the past year, there were no serious accidents causing permanent injury to company employees. On the other hand, minor accidents entailing absence and limited injuries did occur. One consequence of this is that the company's H value (the number of lost-time injuries per million hours worked) rose slightly compared with the 2002 financi-

al year. The H value for 2003 was 9.3 while the corresponding figure for 2002 was 7.1. There are several reasons, but a number of the accidents were due to inattention and lack of concentration, which coincides with Norwegian Labour Inspection Authority statistics. Accidents often happen in regular work situations and under conditions not described as risky at the outset.

Absence due to illness showed a slight increase, a trend the company shares with the labour market in general. During the 2003 financial year, sickness absence in Siemens AS was 6.1 per cent, an increase of 0.3 percentage points from the 2002 financial year. Measurements for the last two quarters indicate, however, that the rate is flattening. Because of the company's broad range of activities, absence varies from division to division. The reduction of sickness absence is a high-priority subject that is being addressed continuously and several measures have been implemented.

The company achieved a considerable reduction of its power consumption the previous year. An important step in this process is the ongoing campaign to conserve energy. The goal of the campaign is to avoid waste and get consumption down by introducing energy-saving measures in buildings. For more information see separate section on HSE.

### Market

Despite some positive signals and a cautious optimism thanks in part to lower interest rates and the weakening of the Norwegian krone, Siemens' markets show no general sign of immediate growth, with, however, some positive exceptions. This is particularly true of public sector investments in health and transport and communications.

Over the past financial year Siemens AS has reaped the benefits of the company's long-term and broad approach to its business portfolio. Several significant contracts were won and the most natural to point out are in transport and telecommunications. The prestigious contracts for replacing the metro cars in Oslo and responsibility



for developing and supplying the Norwegian railway, Jernbaneverket, with their new train radio system (GSM R) were awarded to Siemens during the 2003 financial year. Together with a number of other contracts, these jobs mean that the company is starting the 2004 financial year with a solid backlog of orders.

In the public health sector, regionalisation and the establishment of state health enterprises has meant that customers have increased their focus on comprehensive system solutions. Siemens is well positioned to deal with this trend, which is expected to become even more pronounced in the years to come.

The trend in the telecommunications market is stable, but is still somewhat unpredictable for both operators and vendors. Telecommunications operators are putting investments in new technology on hold and no new UMTS licences are expected to be realised in the short term. The market for mobile phones is expected to show a positive trend, partly as a result of higher private use.

After several years of difficult operating conditions, the easing of monetary policy in the past year has helped inspire somewhat greater optimism in industry. The market is still characterised by a few major developments. The energy supply market has recovered, and a focus on the vulnerability of energy supply has stimulated increased investment activity, including in alternative energy. Investments in the oil and gas market have also increased in both new facilities and for upgrading of existing plants. The market for engineering installations is relatively stable, but operation of technical infrastructure for customers accounts for an increasingly larger portion of the market.

**Strategy and future prospects**

As an international player Siemens AS is part of the trend of greater globalisation of markets as well as organisations of key customers. Adaptation to this is becoming increasingly central. The Scandinavian cooperation has therefore been strengthened so that we to an even greater

degree will be able to meet our customers' expectations and needs. Our one year of experience with Scandinavian organisation of IC Mobile Networks Division has been very good. From 1 October 2003 the business area will consequently be expanded to include Finland and the Baltic States under continued Norwegian management.

A common IT platform for Siemens is in the works. A Scandinavian project with the objective of harmonising work processes in Scandinavia has been formed as part of this effort.

The subsidiary Siemens Building Technologies AS (SBT) will be merged in to Siemens AS effective from 1 October 2003. This will enable SBT to integrate its activities in Norway, providing it with greater market access together with the other divisions of Siemens AS. Positive synergies will also be realised in the form of improved use of existing property holdings and joint services.

The 2003 financial year confirmed that Siemens AS' strong market position and competitive products and solutions provide good profitability. Rooted in the joint Scandinavian cooperation and Siemens' internal improvement programme, top+, the coming months will see a greater focus on winning market share without compromising profitability and financial strength.



## Operating Statement

In thousands of NOK	2003	2002
Operating income	3.530.309	3.769.515
Other operating income	88.405	58.943
<b>Total operating income</b>	<b>3.618.714</b>	<b>3.828.458</b>
Raw materials and consumables	2.010.343	2.241.968
Payroll and related costs	1.062.702	1.180.864
Depreciation expenses	61.833	62.701
Amortization expenses	1.800	0
Bad debts	-3.850	-19.498
Other operating expenses	352.415	234.901
<b>Total operating expenses</b>	<b>3.485.243</b>	<b>3.700.936</b>
<b>Profit from operations</b>	<b>133.471</b>	<b>127.522</b>
Interest and other financial income	71.425	48.538
Interest and other financial expense	-39.644	-55.329
<b>Total financial items</b>	<b>31.781</b>	<b>-6.791</b>
<b>Net profit from ordinary activities</b>	<b>165.252</b>	<b>120.731</b>
Taxes on ordinary profit	-46.344	-33.834
<b>Profit for the year</b>	<b>118.908</b>	<b>86.897</b>
Application and distribution of profit		
Shareholder's dividend	130.900	189.000
Other equity	-11.992	-102.103
<b>Total</b>	<b>118.908</b>	<b>86.897</b>




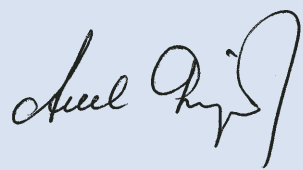
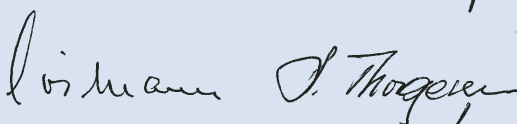
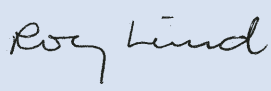

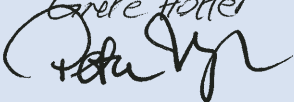
## Balance Sheet

In thousands of NOK	30.09.03	30.09.02
<b>Assets</b>		
Intangible assets		
Deferred income taxes	23.992	49.352
Goodwill	0	2.400
<b>Total intangible fixed assets</b>	<b>23.992</b>	<b>51.752</b>
<b>Tangible fixed assets</b>	<b>414.262</b>	<b>504.153</b>
Financial non current assets		
Pension assets	82.186	69.990
Investments in subsidiaries	130.938	87.046
Investments in associated companies	16.224	18.264
Long term group receivables	0	10.500
Other investments	6.134	6.386
Other long term receivables	31.546	89.786
<b>Total non-current investments</b>	<b>267.028</b>	<b>281.972</b>
<b>Total fixed assets</b>	<b>705.282</b>	<b>837.877</b>
Current assets		
Inventories	62.661	60.488
Group receivables	498	222
Other receivables	667.786	741.111
Receivables from group financing system	155.597	209.656
Other short term receivables from group	1.652	3.639
Other short term receivables	51.422	44.558
Cash and cash equivalents	1.857	4.464
<b>Total current assets</b>	<b>941.473</b>	<b>1.064.138</b>
<b>Total assets</b>	<b>1.646.755</b>	<b>1.902.015</b>



## Balance Sheet


In thousands of NOK	30.09.03	30.09.02
<b>Equity and liabilities</b>		
Equity		
Share capital	170.000	170.000
Retained earnings	141.892	153.884
<b>Total equity</b>	<b>311.892</b>	<b>323.884</b>
Provisions		
Pension plans	219.044	212.976
<b>Total provisions</b>	<b>219.044</b>	<b>212.976</b>
Current liabilities		
Bank overdraft	3.651	0
Accounts payable from group	0	715
Accounts payable	158.660	190.811
Taxes payable	2.667	2.810
Social security, VAT and other taxation payable	134.000	134.423
Dividends	130.900	189.000
Payables to group financing system	322.516	553.273
Advances from customers	1.573	1.761
Guarantee provisions	74.149	65.142
Group contribution	72.000	0
Other current liabilities	215.703	227.220
<b>Total current liabilities</b>	<b>1.115.819</b>	<b>1.365.155</b>
Total liabilities	1.334.863	1.578.131
<b>Total equity and liabilities</b>	<b>1.646.755</b>	<b>1.902.015</b>

  
 Sandumbavik   
 Kullings   
 Grete Holter    




## Cash Flow

In thousands of NOK	2003	2002
Cash flow from operating activities		
Profit before taxes	165.252	120.731
Taxes paid	-992	-59.961
Depreciation and amortization	61.833	62.701
Gains/losses and impairments on shares and fixed assets	-39.016	-45.826
Changes in inventory, accounts receivables and accounts payable	39.001	37.452
Differences between recorded pensions and contributions/disbursements	-6.128	28.042
Changes in other assets and liabilities	41.530	18.099
<b>Net cash flow from operating activities</b>	<b>261.480</b>	<b>161.238</b>
Cash flow from investing activities		
Proceeds from sale of fixed assets	88.257	85.907
Acquisitions of fixed assets	-12.653	-56.524
Proceeds from sale of subsidiaries	24.086	0
Acquisitions of subsidiaries	-23.279	0
Proceeds from sale of other shares	774	0
Changes in other investments	0	-23.006
<b>Net cash flow from investing activities</b>	<b>77.185</b>	<b>6.377</b>
Cash flow from financing activities		
Net change in bank overdraft	3.651	-11.344
Net change from intercompany financing activities	-176.698	-236.165
Proceeds from reduction in capital subsidiaries	3.000	0
Dividends received	17.775	7.777
Dividends paid	-189.000	0
<b>Net cash flow from financing activities</b>	<b>-341.272</b>	<b>-239.732</b>
<b>Net change in cash and cash equivalents</b>	<b>-2.607</b>	<b>-72.117</b>
Cash and cash equivalents 30.09.	4.464	76.581
<b>Cash and equivalents 30.09.</b>	<b>1.857</b>	<b>4.464</b>



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**SIEMENS**